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BY

O. J. GODFREY, F.C.A.

(Past President of the Dominion Association of Chartered Accountants)

PART I

RURAL MUNICIPALITIES, SMALL TOWNS, VILLAGES HOSPITALS, RURAL TELEPHONES AND SCHOOLS.

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TO

The Honourable George Langley

MINISTER OF MUNICIPAL AFFAIRS

FOR

THE PROVINCE OF SASKATCHEWAN

This revised edition is dedicated by its author, who is proud to feel and know that Municipal Government in Saskatchewan is on a higher plane than in any other province of the Dominion of Canada, and who also realizes that this happy state of affairs is almost entirely due to the wise guidance and supervision exercised by the Department over which he to whom this book is inscribed, presides.

INDIAN HEAD, SASK.

DECEMBER, 1920.

FOREWORD

The request from so many sources for an up-to-date work on municipal accounts has led to the compilation of the following pages.

Probably no branch of legislation is so frequently changed as that appertaining to municipal work, and ideas which were believed to be practical a few years ago, are now discarded in favor of newer ideas, which have found favour in the eyes of municipal men. This is true of all Provinces in the Dominion, but the legislation of the Provinces on municipal lines is becoming more and more uniform, from coast to coast.

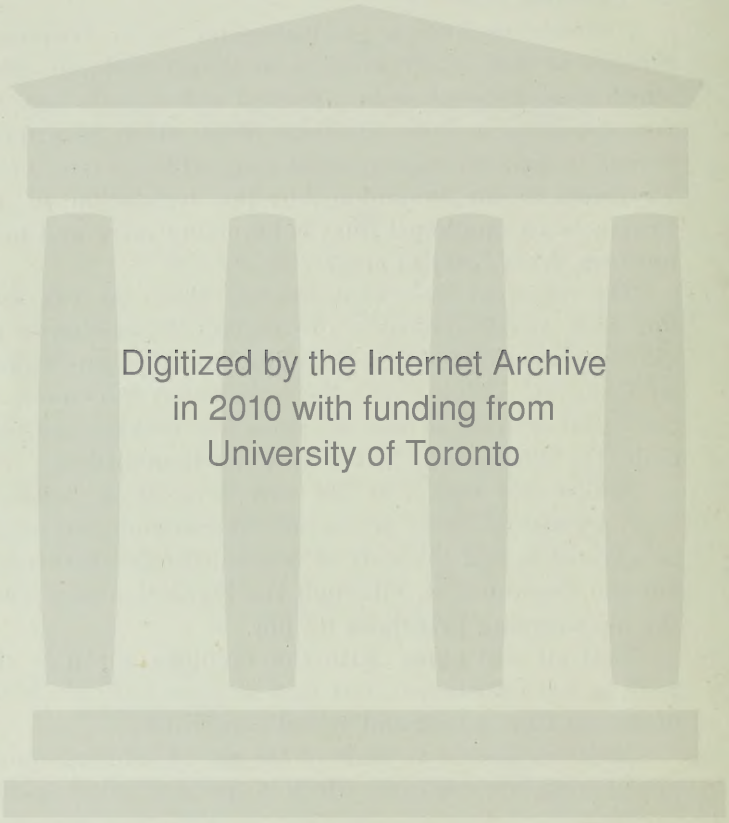
The repeal of the Supplementary Revenues Tax since this work was completed is an excellent illustration of the difficulties encountered in compiling an up-to-date volume on Municipals dealing with the work in any Province. As the repeal referred to does not affect any bookkeeping principle, the illustrations herein have not been altered.

Whilst this section of the book is based on Saskatchewan legislation—ever advanced—its contents may easily be adapted to suit the work of municipal officials throughout the Dominion as, although the legislation may vary, the bookkeeping principles do not.

That all will agree with the opinions given in this work is not anticipated, but they at least have the merit of arising from a long and varied experience.

Acknowledgment is made of the use of information obtained from other sources, which is specified where used.

O. J. GODFREY.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PART I

RURAL MUNICIPALITIES

CHAPTER I.

POWERS AND DUTIES OF THE COUNCIL.

a. Organization.

A Rural Municipality in Saskatchewan is a body corporate created by the Legislative Assembly of the Province, with certain delegated rights therefrom, for the purpose of Local Self Government, as outlined in the Rural Municipality Act, with power to form out of itself a local governing body, in which is vested the means of government for the community contained within its boundaries, subject always to the control of the Department of Municipal Affairs and of the Rural Municipality Act.

This local governing body, called the rural municipal council, is constituted of one elected representative from each of the six units, otherwise "Divisions" comprising the municipality, who are known as the Councillors, and one elected representative of the municipality at large known as the Reeve, who is chairman of the Council and Chief executive officer of the municipality. The Reeve is elected annually, and three members of the Council annually, each for two years.

This book need not deal with the means to be taken to elect the Council, but one of its most important functions will be to set forth what Councils may or may not do in the matter of dealing with the finances with which they are entrusted, and later on to enumerate, as far as possible, the duties of the permanent officials to whom the Council deputes their care.

Note—Wherever herein "the Act" occurs, reference is made to the Rural Municipality Act, Saskatchewan.

b. Current Finance.

A Rural Municipal Council, has, amongst others, the following general powers in respect of current finance:

1. It should estimate as soon as possible in each year what amount it will be advisable and proper to expend on Municipal purposes for the year, and per contra, should decide what extraneous revenues are obtainable for the reduction of the tax burden for the year.
2. It may make arrangements with a Bank, or for that matter with anyone willing to advance moneys to the municipality, to borrow for general purposes an amount equivalent to or less than sixty per cent. of the total Municipal tax levy for the previous year. This is not the case with other classes of municipalities, which finance on their current estimated annual requirements. Any moneys so borrowed are, however, a first charge upon the Municipal Taxes of the current year. The needs of the schools are not a Municipal purpose.
3. It may borrow such sum or sums as may appear to it to be required to supply seed grain to farmers unable to procure the same for the next ensuing spring season, and arrange for the repayment of such borrowings as provided by the Seed Grain Act.
4. It may borrow the necessary funds to make payments to Rural Telephone Companies prior to the collection of Telephone taxes, which are specifically charged with the repayment of such borrowings.
5. It may borrow on security of the Hail Tax, such sums as are necessary to enable the payment to the Hail Association on November 15th in each year to be made in full, and so secure the penalty of $1.00 per quarter section imposed on unpaid Hail Taxes on November 1st for the benefit of the Mu-

nicipality, as well as an additional penalty of 8 per cent. on January 1st ensuing.

6. It shall obtain from the school districts operating within the Municipality a statement of their financial requirements and levy the necessary taxes therefor; it may borrow from banks or elsewhere the necessary moneys to carry on the work of the Schools, always subject to the percentage laid down in the Act, and all such borrowed moneys must be paid to the respective districts proportionately, not used or retained in any shape or form to assist in the general financing of the Municipality.

7. The Council has power to assess the municipality by means of an assessor or assessors, as provided by the Act, in readiness for the succeeding year. Contrary to opinions held in some quarters, an assessment must be made in each year, but this does not of necessity mean that a complete revaluation of the municipality must be made annually. Too much care cannot be expended in securing a just and equitable assessment, for it is the basis or ground work of all municipal finance, and an inequitable tax base may lead to endless trouble for the Council. Care should also be taken to see that the assessment of the municipality as a whole is on a plane with that of other municipalities in the neighborhood, as otherwise it may be necessary for the Wild Lands Tax Commissioner of the Province to step in and order a percentage of increase or decrease, an order which must be complied

Note:—Borrowings under Sections 3, 4, 5 and 6 do not impair the general current borrowing powers of the Municipality under Section 2 hereof. Borrowings under all the foregoing provisions must be made repayable during the current year in the first place, but in the event of poor tax collections through crop failure or other unpreventable cause, arrangements may be made for hypothecation of unpaid taxes for the extension of the loans.

with on the basis of the assessment for the previous year. It is nowadays needful for the Provincial Government to see that no Municipality is able to escape paying a fair share of its direct Provincial taxation through the Public Revenues tax by putting the Municipality on an unfairly low assessment basis, hence the power to equalize assessments as between Municipalities has been vested in the Wild Lands Tax Commission.

The foregoing is an outline of the general methods provided for the acquirement of funds for the purposes of the Municipality. At this juncture it may be well to point out some of the errors Councils and Treasurers fall into—sometimes intentionally in order to relieve embarrassment financially, but more often unwittingly.

(*a*) It is wrong to place borrowings under sections 3, 4, 5 and 6 hereof under pledge of security of the General Municipal Tax as outlined in Section 2.

(b) It is wrong to allow the use of any collected Government taxes, whether Supplementary Revenue, Public Revenues or Wild Land taxes, in the General Bank account in any case, but it is *doubly wrong* when these moneys are liable to be used for Municipal purposes, as cannot help but be the case unless the Municipality has a large cash surplus and does not need to borrow for current purposes. The collections on Government Taxes are the property of the Provincial Treasurer, and should be deposited in a separate Trust Account.

(*c*) It is wrong to atempt to hypothecate arrears of Taxes as part security for a current loan, according to the law. It is, however, sometimes necessary to hypothecate arrears to secure the repayment of loans unpaid at the end of the previous fiscal year.

(*d*) Underestimating of expenditure, coupled with not taking into account a reasonable sum for uncollectable taxes at the end of the current fiscal year, in-

variably leads to financial trouble in Rural Municipalities. On the other hand it sometimes occurs that unpaid taxes from the previous year are not taken credit for inthe current year's estimates, and when this is omitted for three or four years in succession, the cash surplus becomes too large, and ratepayers during those years have been taxed more highly than they should have been.

If common business methods are applied in conjunction with the legislative machinery provided in the Act, Rural Municipalities are more easily financed than their Urban sisters, but on the converse if carelessness is evident, Rural Councils find they have a stern financial problem to be grappled with that can only be solved by the introduction of drastic methods.

We have seen what powers Councils possess in the matter of securing funds for the carrying on of the work of the Municipality until the taxes for the year can be levied and collected. Let us now see what powers of expenditure are vested in the Council. Some members of Rural Councils are prone to imagine that their spending powers are not limited, but on the contrary, they are definitely and very wisely circumscribed by the Rural Municipality Act.

Certain expenditures may be made by resolution. These briefly recapitulated are:

1. To provide for the purchase of exhibition grounds, recreation grounds, nuisance grounds, and cemeteries and to erect and maintain certain Municipal Buildings.
2. To unite with an Urban Municipality within or contiguous to the Municipality for the purpose of erecting an office building to be used jointly. If the expenditure is to exceed $500.00 then the funds must be procured by debenture and the vote of the electors taken.
3. To unite with other Municipalities in any public work or to do certain things deemed to be in the mutual interest of the Municipalities concerned.

4. To expropriate real property needed for exhibition grounds, recreation grounds, municipal buildings, highways, bridges, ferries, water supply or any other public purpose, making due compensation therefor to the parties entitled thereto.
5. To establish and maintain Public Weigh Scales.
6. To lay out, construct, repair and maintain, roads, bridges, etc., and any other necessary public work.
7. To construct necessary drains, and to prevent the obstruction of the same.
8. To provide a water supply for the whole or any part of the Municipality.
9. To open temporary roads across private properties and to pay compensation to the owners of properties affected thereby.
10. To instal and operate ferries.
11. To acquire either separately or jointly with another Municipality, road and bridge making equipment.

The foregoing constitutes a broad outline of the general constructive powers of the Council of a Rural Municipality which may be performed under authorization of Resolutions. There are, of course, other classes of powers, which will be dealt with under Sections devoted to taxation, expenditures, etc.

Section 168 of the Act provides that where expenditures for any of the purposes hereinafter mentioned are to be authorized, a by-law not inconsistent with any law in force in the Province, shall be passed therefor.

1. To provide for the Public Health.
2. To grant aid for the erection and maintenance of Hospitals.
3. To grant aid and relief to sick and needy persons resident in the Municipality.
4. To provide for tree planting on Municipal property.
5. To carry out the provisions of the Wolf Bounty Act.
6. To grant aid to Agricultural Societies.

7. To provide for the extermination of animal and vegetable impediments to agriculture.
8. To provide for the extermination of noxious weeds, gophers, etc., on non-taxable lands, at the expense of the Municipality.
9. To exempt the properties of indigents from taxation for the current year.
10. To pay the necessary salaries and expenses of administration.
11. To appoint and pay nurses and a physician, up to a specified annual amount.
12. To provide fire protection for hamlets within the Municipality.
13. To take the census.

The law in respect to the foregoing powers is more often honored in the breach than in the observance, and it may be that ere long our legislators may see that it would be more appropriate to say that what may now be done by resolution should be done by law, and that what is now ordered done by by-law is in reality the common every day work of the Municipality, which should suffice to be done by resolution.

Section 172 provides for the extermination of gophers, and the recovery of moneys so expended by taxation.

Section 184 prohibits industrial bonuses.

Section 186 provides for the appointment and remuneration of Inspectors of Noxious Weeds (Councils neglecting to make such appointments render their members personally liable to a fine of $25.00).

Sections 187 to 193 give Weed Inspectors power to destroy noxious weeds, and provides means for recovering the expense thereby incurred.

Sections 199 to 200 give power to pay hospital fees for residents, and make provisions for the recovery of such payments where deemed expedient by the Council; $2.50 per diem is the amount allowed to be charged by hospitals for each patient.

Section 201 provides an alternative which authorizes Councils to agree with Hospital Boards to take care of

its indigent patients for a lump sum annually. Municipalization of existing hospitals and the organization of hospital districts under the Hospital Act is proceeding apace in Saskatchewan, and it may be that the time is not far distant when every municipality in the Province will be an integral part of a Hospital District, thereby rendering these sections obsolete.

Section 202 provides for the burial of apparent destitutes at the expense of the Municipality and for the reimbursement of the Municipality where effects exists.

Probably the most important duty of the individual Councillor is the expenditure of the moneys allotted to his division under Section 185, which is appended in its entirety owing to its importance.

185:

1. Subject to the provisions of the next following sub-section the Council shall cause at least one-half of the total amount estimated to be expended in the Municipality for public works during the year, exclusive of the proceeds of a sale of debentures, to be apportioned among the divisions thereof in accordance with the assessed value of the taxable property therein respectively, as shown by the last revised assessment roll, and the amount so apportioned to each division shall be expended on public works in that division.

2. The Council may, by resolution unanimously adopted at a meeting at which every member is present, decide that the amount so to be apportioned shall be reduced to any amount not less than one-quarter of the total estimate.

3. Any member of a Council who expends or authorizes the expenditure of municipal funds upon or with respect to any public work in the Municipality, or for the supplying of materials or labour for such work, shall, unless he has first been empowered to do so by by-law or resolution of the Council for every such offence, in addition to liability in a civil action by the Municipality or any ratepayer, thereof, be liable on summary conviction to a fine of not less than $10.00 nor more than $100.00 and costs, and in default of payment to imprisonment for any term not exceeding two months.

   Provided that the Council may, by resolution, authorize

> any Councillor, subject to the written approval of the Reeve, to expend during the year an amount not exceeding in the whole $100.00 in the repair of public works or improvements urgently needed.

There are two points in this section of the Act which may be discussed with advantage to Councillors and Municipal Officials. The first is that when the money is appropriated, it must be spent, according to the Act. It is very often found, however, that this does not work out. For instance, in the Municipality of Grassy Creek Division 1 is entirely composed of leased land, in which there is not a single road, owing to the whole division forming part of the ranch of a large packing company. The Council overcame this difficulty by coupling Division 2 with Division 1 and spending the apportionment of the latter division in the former. It is doubtful, however, whether this action was legal.

The second point is as to what comprises public works, as stated in the Act. Roads, bridges, culverts, etc., are within this category undoubtedly, but does the Act contemplate that the construction of a trunk road clean through the division is a divisional expenditure? Many Councils cannot read this section otherwise, but the fact that the Department in its forms for Financial Statements, provides a special heading for "General Roads" outside the divisional expenditures would give the impression that the construction of Trunk or Main Roads is the duty of the Municipality as a whole, and not of any particular division. It would, however, appear to be just and equitable to expect divisional expenditures to take care of the construction of lateral roads, and the upkeep of all other public works in the division excepting in extraordinary cases where a large bridge is to be taken care of, or deep coulees and valleys to be made passable.

The responsibility placed on the individual Councillors under this section, is otherwise very clearly defined, and is also a very heavy one. It therefore behooves Councillors to keep within their appropriation, as failure to

do so has an adverse effect upon the financing of the municipality for the ensuing year.

In some Municipalities, happily a very few, a tendency to ignore the estimates in relation to expenditures is found. It is wise in all cases, when estimates are made, to have a copy sent to the Reeve and each Councillor, at the same time advising each Councillor of the amount available for divisional expenditure in his district. Some Secretaries take a pride in keeping their Councillors posted from month to month of the standing of their divisional account, and a good idea is to chart these and hang the chart up in the Council Chamber or Office. At Qu'-Appelle, and possibly many other Rural Municipalities, the chart shown on page 11 is used, the unexpended balances being shown monthly in red ink.

It is gratifying to note from the reports of the Deputy Minister of Municipal Affairs that the finances of Rural Municipalities in Saskatchewan, are on the whole, in excellent condition. Each Reeve and each Council in the Province will doubtless do what is necessary to maintain this high standard.

Capital Expenditure

Means are provided in Sections 206 to 227 of the Act, whereby Municipalities may secure funds for capital expenditure by means of the issue of debentures.

Let us first consider what a debenture really is. Etymologists tell us that the word is derived from the Latin "debentur," which was the first word of the formal certificates of indebtedness issued by the Crown to soldiers and sailors entitled to payment for services rendered. Such certificates were a regular feature of the military organization of the seventeenth century, and were issued to the Parliamentary Army during the English Civil war. However, in the present day, the term "debenture" is only applied to instruments issued by companies and corporations, to which latter class all municipalities belong.

Although a debenture is one of the most common of financial instruments, many business men would be non-

UNEXPENDED

Div.	Appn.	Mar. 1	Apr. 1	May 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1	Dec. 31
1	$2012	$2012										
2	1886	1886										
3	2317	2304										
4	1954	1954										
5	1789	1725										
6	1432	1410										

plussed if asked to give a concise definition of one. The writer's definition is:

> "A debenture is an instrument issued under the "seal of a corporation pledging the resources of the "corporation in order to secure a certain sum, and "providing for the payment of interest at a specified "rate until the principal is repaid."

The argument may be raised that it is not necessary to pledge the resources of a corporation, but in every case, even if not specifically stated, a pledge is rightly implied, and all legal decisions support this statement.

Now let us come to the uses of debentures before proceeding to the manner in which they are issued.

Some financial purists say that debentures have no use, and are in fact an abuse, but Lord Avebury said:

> "It is in every way advantageous to corporations "that they should be able to borrow on the security "of debentures, so long as the transaction benefits the "lender, *as well as the borrower.*"

The words emphasized are the apology (if one is needed) for the issue of debentures by municipal corporations, for the lender is benefitted by the possession of a more easily transferable and marketable security than a mortgage, and one that is obtainable without the observance of many of the legal formalities common to the latter. As a rule the lender has a security that is transferable, as is usually the case with municipal bonds—by mere delivery on account of being payable to bearer, and it is admitted on all hands that municipal corporations can have no more simple method of financing ventures outside the possibilities of current expenditures than by means of the issue of debentures, so that, as Lord Avebury said, both lender and borrower are benefited.

A municipality desiring to borrow moneys for capital expenditures must first of all decide that the works they desire to perform come within the scope of Section 206

of the Act, which lays down the purposes for which capital funds may be borrowed, as follows:

> "Purchasing or constructing any road, highway, "bridge, ferry or other municipal work, or for the "purpose of purchasing or otherwise acquiring any "land, gravel pit, right of way, easement or other in- "strument in any land for the use of the municipal- "ity, or for the purpose of draining any portion of "the municipality, or for the purpose of providing "a supply of water for any portion of the munici- "pality, or for the purpose of purchasing or other- "wise securing any machinery, tools or implements "for the use of the municipality, or for the purpose "of assisting in the erection or enlargement of an "hospital either within or without the limits of the "municipality, or for the purpose of purchasing, "erecting, or improving, altering, adding to or fur- "nishing any building for the use of the municipal- "ity, or for all or any of the said purposes."

This being decided, the Council should make estimate of the moneys required to be expended, and add thereto a certain percentage, for the purpose of paying the expenses of the issue of debentures, which will include the fees payable to the local Government Board, cost of printing, legal and election expenses and so forth, which should on no account be charged against the current funds of the municipality, but be treated as part of the capital expenditures to be incurred.

Notice should then be given to the electors of the intention of the Council to apply to the Local Government Board for power to issue the said debentures, and unless a demand for a poll on the question be received within fifteen days from the date of posting the notices required, the Council may then make application to the local Government Board for power to proceed with the issue and sale of Debentures.

A by-law will require to be passed by the Council setting forth the purposes for which the money is to be bor-

rowed and the manner in which repayment is to be made. The form of this by-law is supplied on request by the Local Government Board, and presents no difficulty.

Debentures issued by Rural Municipalities may not be for a longer term than twenty years, and must be on the instalment plan, i.e., an equal amount of principal repayable annually, with the addition of interest on the total unpaid balance. The following table shows the annual repayment required to take care of the repayment of an issue of $10,000 of Debentures at 6% for ten years, Debentures being issued on July 1st, 1919:

Repayment Date of	Repaid Principal	Interest	Repayment Total	Unpaid Amount
July 1, 1920	$1000.00	$ 600.00	$1600.00	$9000.00
" 1921	1000.00	540.00	1540.00	8000.00
" 1922	1000.00	480.00	1480.00	7000.00
" 1923	1000.00	420.00	1420.00	6000.00
" 1924	1000.00	360.00	1360.00	5000.00
" 1925	1000.00	300.00	1300.00	4000.00
" 1926	1000.00	240.00	1240.00	3000.00
" 1927	1000.00	180.00	1180.00	2000.00
" 1928	1000.00	120.00	1120.00	1000.00
" 1929	1000.00	60.00	1060.00	Nil
	$10,000.00	$3300.00	$13,300.00	

The instalment plan of repayment of bonds is by far the cheaper of the three methods most popularly used, viz., the instalment, annuity and sinking fund. The total payments of principal and interest as above are $13,300; on the annuity plan they would be $13,586.80, and on the sinking fund plan where the deposits are provided to accumulate at 4% per annum compounded annually they would be $14,329.00. This does not imply that cheapness of repayment is the most satisfactory form of Debenture issue for the ratepayers, because, as is seen from the above table, the earlier payments are much more heavy than the latter, whereas under the sinking fund or annuity plan the payments are equal each year, but from the viewpoint of the class of work for which capital ex-

penditures are usually made by Rural Municipalities, the action of the Legislature in restricting them to instalment bonds would appear to be wise.

Sections 221 and 222 of the Act restrict the amount allowed to be raised by way of debenture, and the rate of interest to be paid to 13 cents per acre for each acre of land assessed in the Municipality in the former, and to 8% per annum in the latter.

The forms of debentures and coupons to be used are set forth in Section 220 of the Act, and are as follows:—

$ Debenture No.

The Rural Municipality of No.
promises to pay the bearer at the at
the sum of dollars lawful money
of Canada in equal consecutive annual instal-
ments with interest at the rate of per centum
per annum on the terms and in the amounts specified in the
coupons attached hereto.

Dated this day of 19 .

.....
Reeve.

.....
Treasurer.

(Corporate Seal)

Coupons.

Coupon No. Debenture No.

The Rural Municipality of No.
will pay to the bearer at the at
on the day of 19 , the sum of
dollars, being the instalment of
principal with the total interest at the rate of
per centum per annum due on that date on municipal debenture
No.

.....
Reeve.

.....
Treasurer.

(Corporate Seal)

Members of Rural Councils are sometimes misled when selling debentures as to the actual relative value of the bids received, sometimes owing to the wording of the advertisements calling for tenders. No sale of De-

bentures by a Rural Council may now be made without the consent of the Local Government Board, but a few words on the valuation of offers for Debentures may be acceptable nevertheless.

When tenders are called for, a definite form of tender should be stipulated, covering

1. The place at which delivery and payment is to be made.

2. That interest at the Debenture rate is to be paid from the date of issue (the date of the bonds) till the date of delivery.

The advertisement should also state the place at which coupons and debentures will be paid on presentation. In the case of Rural Municipal Debentures the branch office of the Bank where the Municipal business is transacted is usually selected.

Cases are known of the acceptance of tenders because the actual figures quoted appeared to be higher than others, whereas had the tenders been scrutinized by some one well versed in the subject, they would not have been. Let us take as an example an issue of $10,000 of 5% bonds, to be dated December 1st, for which tenders are to be received:

One tender was $97.35 Winnipeg delivery.

Another was $97.00 and accrued interest, Winnipeg delivery.

An third was 97.15 local delivery.

The first tender was accepted, and delivery occupied fifteen days, giving time for the legal examination by the purchasers. Interest on $10,000 for 15 days amounts to $19.18. Cost of insurance and express on bonds to Winnipeg was $21.45. Exchange on remittance at one-tenth would be $9.75. How do the offers compare ?

	Amount of Tender	Accrued Interest	Costs of Delivery	Loss of Interest	Net Proceeds
A.	$9735.00		$31.20	$19.18	$9684.62
B.	9700.00	$19.18	31.20		9687.98
C.	9715.00			19.18	9696.82

The column "Loss of Interest" means that by December

15th the bonds at par would be worth their face value plus the accrued interest. Therefore the Municipality was a loser to this extent. The third bid was according to the foregoing, the best of the three received, and should have been accepted. Bids without accrued interest should never be compared with those on which accrued interest is allowed, for it will be readily seen that it is to the advantage of the bidder to delay acceptance of delivery on one pretext or another, as long as possible, so as to make the bonds more valuable. A standard tender form is an excellent thing, and where employed, the Council should not consider any bid on any but the stipulated form, whilst no three words should be more carefully watched than "with accrued interest."

Another point worth consideration by Councils is the quality of the paper and ink employed in the preparation of bonds themselves. Documents that are expected to be used for twenty years should be of the very best material, and the Municipality owes it to the purchaser to see that his evidence of security for investment is such that it will be as good at the end of twenty years as at the commencement.

The Superintendent of Insurance at Ottawa in his report for the year ending December 31st, 1915, has some very strong remarks to make respecting about $25,000,000 of Municipal Bonds held as security under the Insurance Act. He says, "Many of the Debentures now held are of the commonest paper. The "coupons attached, from constant handling, are frequently torn, and many of those on the debentures recently taken have been in such bad condition that they had to be patched before they were put into the vault."

The Board, on receipt of these representations, directed that "of the securities hereafter offered (as security under the Insurance Act referred to above) only such be accepted as are either engraved, lithographed or printed in clearly legible type on tough durable paper."

In having their debentures printed, Councils should stipulate for the use of only "the best rag paper."

Councils should be very careful to see that Debenture moneys are used only for the purposes for which they are borrowed. The better plan is always to keep debenture moneys in a separate bank account, and for the Council, when passing accounts for payment, to carefully stipulate which are to be paid from the Capital account, and which from the current bank account of the municipality. Diversion of capital moneys is a serious offence and should be safeguarded by all possible care, as more often than not in Rural Municipalities where diversions have occurred, it has been from carelessness or ignorance rather than from wilful intension.

Councils also have a direct responsibility in seeing that the necessary funds for the repayments of bonds are provided in time to make the payments when due. Nothing impairs municipal credit more than coupons lying unpaid for some months.

All the foregoing matters come directly under the duties of the Council, and should be carefully attended to by them. It is not fair for them to escape these duties by handing them over holus bolus to the clerk, however capable he may be, and careful supervision in these matters tends to greater efficiency in the clerk, and to the greater confidence of the ratepayers whose servants both clerks and councils are.

CHAPTER II.

THE SECRETARY TREASURER AND HIS WORK

a. The Secretary Treasurer.

Although the Act provides that councils may appoint a secretary and a treasurer, the dual offices are held invariably by the same official, who is consequently known as the secretary-treasurer.

As this official is the pivot upon which the whole municipal wheel revolves, too much care cannot be spent in selecting the right man for the position. He must be a man of fair education, boundless tact, upright character and incapable of local bias.

It may be necessary for the council to go beyond the confines of the municipality for such a man, but no hesitation should be felt in so doing if such be the case.

It is incumbent upon a council to fix the remuneration for this official (and for all others) before inviting applications for the position. To advertise in the local paper as follows:

"Rural Municipality..... No. 1001. Secretary Treasurer wanted. Apply to..... stating salary required." is to demean the council in the eyes of all right thinking men, and also to act in opposition to the law, which says distinctly that no appointment to office may be made by tender.

The pity of it is that so few councils know what the work of a secretary treasurer is worth. They should, however, remember that a cheap man is often dear at any price, whereas a well paid and capable official is a credit to the community and the best investment the municipality can make.

It is now a proven fact that women suited temperamentally for the position, are making excellent secretary treas-

urers, and we may look for an increase in the number of women holding these positions.

b. The Duties of a Secretary Treasurer.

The right secretary treasurer having been found, our next consideration will be to examine his duties. These may be divided into two classes:

a. Those specified in The Rural Municipality Act, and other Acts of the Legislature.
b. Those not specified in any Act or Statute, but which custom requires of the secretary treasurer.

The first duty devolving upon a rural secretary treasurer after receiving his appointment is to furnish the council with satisfactory security for his integrity. And, incidentally, it may be noted that the council also has a duty to perform in connection with the bond to be furnished. Section 150 of the Act provides that in case the members of the council neglect to take proper security from the treasurer, they shall be jointly and severally liable for any loss that may occur through such neglect.

The Council should annually go carefully through the contract originally made with the Bond Company, to see that no change of conditions has been made. A recent case disclosed a contract with a Bond Company made many years ago, wherein the Council through the Reeve contracted that there should be four audits a year, and that annually a list of all amounts due the municipality should be published. The law at that time required these conditions to be fulfilled, but changes in legislation reduced the number of audits to two and dispensed with the annual publication of debts due to the municipality. Later councils were not aware of the terms of this contract, and a year or two ago, when defalcations were discovered, the council found it had no recourse against the Bond Company owing to the fact that the conditions of the contract had not been fulfilled. Hence it is important that Reeves, when contracting for Fidelity Insurance Renewals, should know the terms of the contract they are renewing.

Before taking over the work, a new Secretary should be careful to insist upon a proper audit of the affairs of the municipality, and, moreover, he himself should check the cash and securities, records, etc., with the auditor at the time, so that there may be no afterclap through neglect of this important particular.

He should then do his utmost to make himself thoroughly conversant with the provisions of the Act regarding the conduct of his office, and further, carefully study "procedure" wherever such is prescribed either in the Act or in the bylaws of the municipality.

His statutory duties will be found in Section 152 and 153 of the Act, as follows:

152. It shall be the duty of the Secretary of the Municipality:

1. To keep a full and correct record of the proceedings of every meeting of the Council in the minute book provided for that purpose, and to see that the minutes of each meeting are confirmed at the next regular meeting of the Council and signed by the Reeve or other presiding officer.
2. To enter in the minutes of every meeting the names of the members of the Council present at such meeting;
3. To conduct the correspondence of the Council as directed by it;
4. To transcribe into a special book to be provided for that purpose a true and correct copy of every by-law passed by the Council, which copy may be either written or printed, or partly written and partly printed, and to prepare a proper index for such by-laws;
5. To take charge of and keep on record all books, papers, accounts, assessment rolls, plans, maps and correspondence, committed to his care by the Council during his term of office, and deliver the same to his successor or such other person as the Council may direct on his ceasing to hold office;
6. To faithfully prepare and duly transmit to the Minister such statements, reports and other information with regard to the municipality as may be required from time to time by the Minister, and in such form as he may direct;
7. To call any special or other meeting of the Council in the manner provided by this Act;
8. To produce for inspection the minute and other books, and

all papers and records of whatsoever kind in his possession when required so to do by an inspector;

9. To faithfully perform all other duties conferred upon him by this Act, and generally to carry out such instructions as may be issued to him from time to time by the Council.

TREASURER.

153. It shall be the duty of the Treasurer of the Municipality:

1. To receive and safely keep all moneys belonging to the municipality from whatsoever source;
2. To deposit daily, or as often as the Council may direct, in some chartered bank designated by the Council all moneys received by him;
3. To submit all accounts and charges against the municipality which he receives, for the consideration of the Council;
4. To pay all accounts against the municipality only when they have been passed by the Council and certified to by the Reeve or other presiding officer;
5. To make all payments on behalf of the municipality by cheque on the chartered bank in which the moneys of the municipalities are deposited; and every such cheque in addition to being signed by the Treasurer shall be countersigned by the Reeve, or in his absence, by the Deputy-Reeve;
6. To give and take receipts for all moneys of the municipality received and disbursed, and to keep on file all vouchers of expenditure;
7. To keep, in a cash book or such books of record and in such form as may from time to time be prescribed by the Minister, a complete and detailed record of all the financial transactions of the municipality;
8. To submit to the Council, quarterly, and whenever required so to do by the Council, a balance sheet showing the financial standing of the municipality;
9. To produce, when called for by the Council, auditor, inspector or other competent authority, all books, vouchers, papers and moneys belonging to the municipality and to hand over the same to his successor or such person as the Council may direct on his ceasing to hold office;
10. To faithfully prepare and duly transmit to the Minister such reports and statements as may from time to time be required by the Minister, and in such form as he may direct;
11. To faithfully perform all other duties conferred upon him

by this Act, and generally to carry out such instructions as may be issued to him from time to time by the Council.

Other duties devolving upon the treasurer—or in reality Secretary Treasurer—which may be found in different sections of the Act are:—

To prepare the Voters List from the Assessment Roll (Sec. 59.)

To issue tax certificates. (See 299).

To see that the Reeve and Councillors take their oath of office before taking their seat at the Council table. (Sec. 22)

To notify property owners before November 30th in each year of the amounts chargeable to them (if any) for the destruction of noxious weeds. (Sec. 192.)

To notify appellants against assessments of the date, time and place of Court of Revision. (Sec. 249)

Prepare Tax Sale List, etc.

And these practically constitute the whole duties laid down for the Secretary Treasurer in the Statutes, but only those of experience know the multifarious demands upon the time and patience of this official which are not set out in any Act, but which must nevertheless be performed from time to time.

There are also duties—extraneous to the actual work of the municipality—imposed by the Supplementary Revenues Act, the Public Revenues Act and the Wild Lands Act which require to be performed, and for which the municipality is paid by the Government. Then there are seed grain matters at times, estray animals and other things requiring attention, whilst in municipalities under the Hail Association the Treasurer's work is very considerably increased by the imposition and collection of the Hail Tax, and there are many secretarial duties which need not be gone into here.

Surely the foregoing is proof of the need for securing men of the highest type for secretary treasurers.

Before going on to deal with the bookkeeping work of the municipality, one or two suggestions from experience

may be helpful to Treasurers as to the carrying out of the duties imposed on him by the Statutes.

The Act states that all moneys received shall be deposited. The inference is plainly that they shall be deposited in the same kind as they are received, but this is not always possible, as the Government taxes owing on land are very seldom paid apart from those due for municipal purposes. The Treasurer should, however, follow the Act as closely as possible, and if his work is kept up to date there should be no difficulty in placing the correct sums into their respective accounts. A good plan is to enter up the cash book daily, and with each deposit slip state how much is to go to the credit of the municipality and how much to the credit of the Provincial Treasurer. The banks are always glad so to divide deposit slips in this manner, and also to supply perforated duplicate deposit books, by means of which the actual disposition of deposits can easily be subsequently ascertained. Treasurers will find this plan works out very well, if carried through regularly.

Another helpful trifle is to write on the deposit slip against the amount of each cheque, the name of the drawer.

It may not be out of place to suggest here, that Treasurers should not cash municipal cheques unless necessity so to do exists. Experience teaches that any error in cash is more easily located where this is not done, than where it is.

It will also be recollected that the Act provides that *all* payments must be made by means of municipal cheques. This is doubtless intended to prevent the old custom of crediting contra accounts against taxes, than which a more pernicious system was never in existence, and which has meant ruin to more than one absolutely honest and well meaning municipal treasurer in the old days.

We have now discussed fairly thoroughly the duties of a secretary treasurer in a general way and can pass on to a study of the necessary books of account requisite to record the financial transactions of the municipality in such manner that they will show at all times "the truth, the whole truth, and nothing but the truth."

CHAPTER III.

THE BOOKS.

(Author's Note.—Readers will profit by reading the book-keeping chapters of this work at such times as they have the actual books before them. The author realizes his comparative impotence to make his explanations completely intelligible and easily understood unless the reader co-operates with him in this respect).

a. How to open them.

The main books of account prescribed by the Minister, and which are the only ones it is proposed to deal with in this work, are self-balancing, and are designed to record fully the relations of the municipal body with every ratepayer and creditor.

They are:

1. The ledger.
2. The assessment and tax roll.
3. The cash receipts book.
4. The cash expenditures book.
5. The tax sale and redemption record.

The writer is of the opinion that a further book of record should be kept, viz.: a journal, not with a view to transferring entries from any of the current books to the ledger, but for the purpose of showing fully what assets and liabilities were entered in the ledger at the inception of the municipality, and for entering in annually the trial balances and balance sheets of the municipality, as a permanent record in place of merely keeping the annual financial statement on file.

One of the chief difficulties encountered in rural municipal accounting is in having the starting entries made in the books of the municipality at its formation in such form that the true standing of the municipality is exhibited in the ledger by its trial balance.

Care should first of all be taken to verify the bank accounts of any local improvement district included in the new municipality, and to reconcile the outstanding cheques. The true standing of the new council, with its school districts, should be ascertained, and the amount of arrears of taxes procured from the Department of Municipal Affairs, if newly organized territory.

This being done, an inventory of all properties vested in the new council should be taken, and an effort made to get a correct statement of what accounts were owing by the municipality at the time of formation.

These will include the amount to the credit of the district in the books of the Department of Municipal Affairs, and the outstanding taxes as shown by the records of that Department.

We shall imagine a municipality being formed wherein are five school districts, and that the assets and liabilities of the unorganized district at the time of its dissolution were as follows:

Assets:

Due by Department in respect of Municipal taxes collected but unexpended	$ 157.12
Unpaid Municipal Taxes	1494.22
Unpaid Supplementary Revenue Taxes	324.60
Unpaid Public Revenue Taxes	431.20
Unpaid Wild Lands Taxes	600.00

There would be no liabilities, excepting those to the Provincial Treasurer in respect of uncollected Provincial Taxes, and to the schools, if any, and it is not probable the Department would hand over the affairs of the district without seeing that the schools had been paid in full. However, for the purposes of illustration we will assume that the following amounts are due to the schools:

District A	$ 145.78
B	231.20
C	98.44
D	187.30
E	46.10

The first thing to be done is to put these figures into a

composite statement which will in reality be the balance sheet of the municipality at its inception, for it will have no effects in the shape of road building or other equipment.

This will be as follows:

Assets:		
Due by Department of Municipal Affairs		$ 157.12
Municipal Taxes		1494.22
Supplementary Revenue Taxes		324.60
Public Revenue Taxes		431.20
Wild Land Taxes		600.00
Liabilities:		
Provincial Treasurer:		
Supplementary Revenue Account	$324.60	
Public Revenues Account	431.20	
Wild Lands Taxes	600.00	
School District A	145.78	
B	231.20	
C	98.44	
D	187.30	
E	46.10	
Assets over Liabilities	942.52	
	$3,007.14	$3,007.14

The difference of the totals of the two sides, of course, represents the net worth of the municipality as an institution.

The student will remember that Provincial Taxes are a direct liability to the Provincial Treasurer immediately on collection, but not until then, and that the unpaid Provincial Taxes are a liability contingent upon collection. We therefore require a separate account for the direct liability and another for the contingent liability. At the inception of the municipality, however, there will only be the contingent liability; the direct liability up to the point of the organization of the municipality being the care of the Department of Municipal Affairs.

Having proceeded so far, it is now necessary to write up the ledger, and as it is an axiom of good bookkeeping that no entry be made in the ledger except from a subsidiary book, or what is known as a book of original entry, it is expedient

that a journal be brought into use, with the following entries:

Accounts Receivable	Dr.	$ 157.12
Municipal Taxes	Dr.	1494.22
Supplementary Revenue Tax Account	Dr.	324.60
Public Revenues Tax Account	Dr.	431.20
Wild Lands Tax Account	Dr.	600.00
Provincial Treasurer:		
Uncollected Supp. Rev. Taxes	Cr.	324.60
Provincial Treasurer:		
Uncollected Public Revenue Taxes	Cr.	431.20
Provincial Treasurer:		
Uncollected Wild Lands Taxes	Cr.	600.00
School District A	Cr.	145.78
B	Cr.	231.20
C	Cr.	98.44
D	Cr.	187.30
E	Cr.	46.10
Surplus	Cr.	942.52

By these means we obtain the necessary initial postings to the Ledger. In passing, let us decide that no "personal" accounts, or accounts dealing with individuals, shall be dealt with in the Ledger of the Municipality.

Records of indebtedness either to or by the Municipality by individuals have no place in the General Ledger of a municipal body, but should be taken care of in subsidiary books. The Ledger of a Municipality corresponds with the General Ledger of a commercial concern, which can annually be closed out, leaving only accounts open which are the sums of the various assets or liabilities under their respective cognomens. For example, the total of the heading "Municipal Taxes" in the Ledger, should at all times correspond with the total amount owing to the municipality under this head as exhibited by the Tax Roll. If it does not, there is something wrong with the bookkeeping.

It is not necessary to enlarge further upon these entries than to state that all debit items should appear in the first column, all credit items in the second column, and the difference between the two in the *outside* or Balance column, leaving the intervening columns for other purposes, which

may be gone into later. Thus, in the present instance, the surplus or deficit account in the ledger will show as under:

SURPLUS OR DEFICIT.

Date		Fo.	Dr.	Cr.	Dr. or Cr.	Balance
1919						
Jan. 1	By	J. 1		$942.52	Cr.	$942.52

Had the surplus item not been shown in the statement of posting, the total amount of the assets would have been a credit entry in the surplus acount, and the sum of the liabilities a debit entry therein, leaving the balance as shown.

It is assumed that the reader understands the imperative necessity of cross-referencing when posting, i. e., that the folio column in the ledger should show the page and book of original entry from which the posting is made, and the corresponding column in the book of original entry should show the ledger folio to which the item is transferred. A good plan is to denote in the ledger the source of posting, that is to say, to state by means of an initial the book from which the entry is taken, such as C for Cash Book, T. R. for Tax Roll, and so forth.

Tax Roll

Having opened the Ledger, we should obtain the Tax Roll and open it in readiness for the current year's work of the Municipality. As before stated, the Department of Municipal Affairs will have supplied the Secretary Treasurer with a complete list of lands on which taxes were owing at December 31st of the previous year, differentiating between Municipal, Public Revenues, Supplementary Revenues and Wild Land Taxes. At the same time it is presumed that a complete list of taxable lands, with the names of the assessed owners thereof, will have been supplied. First, the new Secretary Treasurer should see that the total of these tax arrears agrees with the respective figures we have assumed in our starting statement. Second, he will enter each quarter section of land, with its assessed owner against the same, numbering from 1, and continuing numbering in

sequence until the whole of the lands have been entered. He will make a break of a page in the roll at the end of each division, before starting the next one. Then he will probably be instructed by the Department to use the assessment for the previous year as his assessment for the current year and to ask his Council to have a re-assessment of the municipality made during the current year in readiness for use in the year following. After entering the assessed valuations, he will add the assessments up, obtaining separate totals for each page. This will complete the first part of the combined Assessment and Tax Roll, viz., that part devoted purely to assessments, for the current year. He will then examine the other part of the roll, viz., that part devoted to taxes, and he will find it divided into five major portions, as under:

Municipal, including Current Schools and Telephones
Town and Village Schools
Supplementary Revenue
Wild Lands
Public Revenues
Union Hospitals

Leaving the Hail Tax, which will be dealt with later on in this book, out of consideration, and assuming that in the present case the district is not a member of the Hail Insurance Association, he will require to know how to enter the arrears of taxes as supplied to him by the Department, in the Tax Roll. He will find that each of the major subdivisions of the Tax part of the roll is composed of columns as under:

Total Current Levy
Arrears brought forward
Penalty added Jan. 1
Total Arrears and Penalties.
Total Current Arrears and Penalty
Paid
Receipt Number
Cancelled
Amount included in Tax Sale
Uncollected Dec. 31st.

The Arrears handed over by the Department should be entered against their proper lands, in the ARREARS column of the section or heading of the Tax Roll to which they belong. Thus, Municipal Taxes will be entered as Municipal Arrears, Public Revenues Taxes as Public Revenues Arrears, and so on.

These taxes not having been paid during their currency, i. e., by December 31st of the year in which they were levied, are subject to a straight penalty of 8%—not to interest at 8% per annum, as is sometimes supposed. The Treasurer should therefore add 8% to each individual amount in arrears for each tax levied in the column provided for that purpose. Both these columns should then be totalled, each page of the roll carrying its separate totals.

Every Municipality should, in addition to its Tax Roll, insist upon a Tax Roll Summary—a replica of the rulings of the Tax Roll. Each page of the Assessment and Tax Roll should be given a line in this summary, and each division of the Municipality, which generally takes about fourteen pages of Tax Roll, should be allotted a page therein.

The totals of the divisions in the summary should be transferred to a later page therein, which is known as the Grand Summary.

The totals of penalties for Municipal, Public Revenues Wild Lands and Supplementary Revenue Taxes having been obtained and entered in the Grand Summary, need to be disposed of in the Ledger, the taxes having been increased by their imposition. Penalties on Municipal Taxes belong to the Municipality in any case, and penalties on the three Government taxes also belong to the Municipality if the Municipality pays over the total levy for Government purposes before the end of the year in which the taxes are imposed, but it is doubtful whether any Municipality has yet found itself able to do this. In any other case, the penalties belong to the Provincial Treasurer.

With the penalty on Municipal Taxes, we have to open what is known as a *Current Revenue* account or General Fund, and these penalties should in every case, whether the

municipality is new or not, be the first entry in that account in each year, for the law states that the penalties shall be added on January 1st, and a wise Treasurer invariably obeys the law in this particular, for he knows it saves him endless trouble later on.

The Department frowns upon the use of a journal for Rural Municipal work, and its indiscriminate use is not commended. But with due deference, it is submitted that it is good bookkeeping to use a journal for such entries as we now propose to make, and which would be as follows:—

Municipal Taxes Account .....$	119.54	
Dr. to General Fund		$119.54
Being 8% penalty on Municipal Taxes unpaid Dec. 31,		
Supplementary Revenue Tax Account..	25.97	
Dr. to Provincial Treasurer		25.97
Uncollected S. R. Taxes.		
Public Revenue Tax Account	34.50	
Dr. to Provincial Treasurer		34.50
Uncollected P. R. Taxes.		
Wild Lands Tax Account	48.00	
Dr. to Provincial Treasurer		48.00
Uncollected W. L. Taxes.		
Being 8% penalty on Government Taxes unpaid Dec. 31,		

We will now skip a few months of other work, and assume that the Treasurer is in a position to complete the entries in the Tax Roll for the current year, by reason of the Council having struck its rate for the current year, and which we will assume to be 4 mills for the General Tax.

We will assume that the total assessment of each division is $400,000. and that the assessment of the School Districts and the tax levies are as follows:—

School	Assessment	Rate
A ....$	250,000.00	5 mills
B	200,000.00	6 "
C	275,000.00	4 "
D	180,000.00	7 "
E	225.00.00	5 "

We know from this that the total of the Municipal General

Rate should be $9.600.00, School District A. $1200.00, B. $1200.00, C. $1100.00, D. $1260.00 and E. $1125.00.

The working out of the individual assessments is not likely to prove out to a cent with what the rate on the whole assessment will be, but for demonstration purposes the above figures will serve.

The Treasurer will have seen to it before the rates are struck that the School Secretaries have served him with a plan of their School Districts, duly certified as correct, together with the demand for the amount required and he will find next to the column for General Municipal Tax in the Tax Roll, several columns, not headed, provided for school taxes.

Let us also assume that before the Tax Rates are struck, the Secretary Treasurer is notified that two new Rural Telephone Companies have been incorporated in the Municipality. In such event, the Secretaries of these Companies would serve the Municipal Secretary Treasurer with a demand that a sum be levied sufficient to pay the debenture instalments and coupons of their respective companies, and stipulating by means of a certified list thereof, the lands upon which the telephone taxes are to be levied. Let us further assume that the assessed value of the lands to be taxed for the first Company, called F. is $740,000, and that for the second Company called G. is $470.000, and that F. requires $1480.00 and G. $1410.00. The rate for F. would be 2 mills and for G. 3 mills. A special chapter later herein, will be devoted to rural telephone work.

The Treasurer will also find that subsequent to the School Tax columns in the Tax Roll, other unheaded columns are provided for Rural Telephone Companies.

For the first year we will consider this to be all the taxing the Municipality does, but there are very few municipalities in which there is not a Village or Town School District, and where these exist they should be treated as described in the succeeding chapter. The majority of municipalities have closed out or paid the School District what are known as "Prior to 1914" School Tax Arrears, which were

only required to be paid over as collected, so as to enable them to be treated as part of the municipal tax arrears.

(Note:—See paragraph on Town and Village Schools).

We should now study the legislation which governs the imposition of School and Rural Telephone taxes. Section 284 of the Rural Municipality Act provides that the municipality shall pay to the Rural Schools quarterly, one-fourth of their demands, and the Rural Telephones Act provides that all taxes levied on behalf of Telephone Companies shall be paid over, whether collected or not, by the end of the year in which the taxes are levied. This enables us to treat both Rural Telephone and Rural School taxes as part of the Municipal tax, which would not be the case if the taxes were only due to be paid over as collected, similar to Government taxes. Town School taxes are a liability contingent upon their collection.

The Treasurer will find that the Tax Roll only allows columns for three schools and three Rural Telephone Companies. This is doubtless on the assumption that there are never more than these numbers to be dealt with on any one page, but the Tax Roll Summary overcomes this difficulty by providing considerably more columns.

We will assume that the Treasurer has made the necessary calculations in the columns supplied in the Tax Roll, has completed his summary and that the totals are now ready to be carried to the Ledger, and we shall find the following entries are necessary, which with due deference again to the Dpartmnt of Municipal Affairs, should be made by means of the Journal.

Municipal Taxes Dr.	$18,425.00	
School District A Liability acct.	Cr.	$1,250.00
School District B Liability acct.	Cr.	1,200.00
School District C Liability acct.	Cr.	1,100.00
School District D Liability acct.	Cr.	1,260.00
School District E Liability acct.	Cr.	1.125.00
Rural Telephone Co. F Liability acct.	Cr.	1,480.00
Rural Telephone Co. G. Liability acct.	Cr.	1,410.00
General Fund Liability acct.	Cr.	9,600.00

Having made these postings, we now come to the Gov-

ernment Taxes, which also need entering in the Tax Roll and Ledger.

The Public Revenues Tax Act provides that there shall be levied annually on all assessable lands within the Province, a tax of two mills on every dollar of assessed valuation. Prior to 1919, this tax was levied on buildings and businesses in urban municipalities, but the latter are now taxed on land only for this purpose.

The Supplementary Revenue Tax, levied for educational purposes only, was one cent per acre on all lands excepting those under lease from the Crown, which is taxable at one-half cent per acre. (Repealed since written.)

The Wild Lands Tax Act provides for the levy of 10 mills on the dollar of assessed valuation on all lands in the Province. The Secretary Treasurer must work in close harmony with the Wild Lands Commissioner by making the necessary returns before imposing the tax, if satisfactory results are to be obtained. The Wild Lands Tax replaces the old Surtax, with the exception that the rate is increased, and that the tax is now Government property instead of belonging to the municipality. The following circular from the Commissioner explains exactly what property is liable to assessment under this Act:—

> "Where land holdings of an owner are referred to in "this memorandum it is understood that such holdings " are situate wholly in the same municipality or local "improvement district.
>
> "Where reference is made to cultivation or resid- "ences it is understood to apply to the first day of Aug- "ust of the year in which the assessment is made.
>
> "Holdings of an owner not exceeding 320 acres are "liable to Wild Lands Tax;
>
> "Unless the *owner* resides thereon, or resides upon a "farm at least eighty (80) acres in area, situate within "a distance of nine (9) miles therefrom in a direct line, "exclusive of the width of road allowances crossed in "the measurement, and owned solely and occupied by "him, or resides upon a farm of that area and so situ-

"ate, owned solely and occupied by his or her father, "mother, son, daughter, brother, sister, husband or "wife, as the case may be.

"If the individual owner is absent in actual service "in the wars of the empire it is provided that he shall "be deemed to be in actual residence.

"In case of nonresidence of the owner the land will "be subject to the tax.

"Unless one quarter is under cultivation within the "meaning of the said expression as defined in para- "graph of 6 of section 2 of the Wild Lands Act. This "paragraph reads as follows:

" 'Under Cultivation' means improved for any ag- "ricultural purposes, and land under cultivation in- "cludes cropped, ploughed, summerfallowed or garden "lands, hay land from which hay is cut annually, and "fenced lands used for the purpose of pasturing horses, "cattle or sheep which are the property of or in charge "of the owner or tenant of the land, and upon which "horses or cattle to the number of at least one animal, "or sheep to the number of at least three, for every ten "acres so fenced, have been pasturing during the two "months next preceding the 1st day of August of the "year in which the assessment is made.

"The fence referred to above must consist of not less "than two strands of barbed wire attached to substan- "tial posts not more than sixteen and one-half (16½) "feet apart.

"Holdings of an owner exceeding 320 acres but not "exceeding 640 acres are liable to the Wild Lands Tax;

"Unless one-quarter is under cultivation within the "meaning of the said expression as defined in the para- "graph quoted above.

"Residence does not exempt where the land of the "owner in the municipality exceeds 320 acres in area.

"Holdings of an owner exceeding 640 acres are "liable to Wild Lands Tax;

"Unless one half is under cultivation within the

"meaning of the said expression as defined in the para-
"graph quoted above.

"Every owner of land in the municipality must
"have a sufficient area of his land under cultivation
"to exempt all of the said land from said tax before
"any portion thereof will be exempt.

"'Owner' includes any person who appears by the
"record of the land titles office on August 1st of the
"year in which the assessment is made to have any
"right, title or interest in land other than that of mort-
"gagee or incumbrancee, or who holds land under a
"bona fide agreement of sale.

"Any of the above holdings are exempt from the
"Wild Lands Tax if they are included in any of the
"following:

"1. The interest of the Crown in any land, including
"land held by any person in trust for the Crown.

"2. Land under lease from the Crown for grazing
"purposes.

"3. Lands held under homestead or pre-emption en-
"try for which patent has not been issued or recom-
"mended.

"4. Land specially exempt by law or held for the
"public use of the Government of Saskatchewan.

"5. All land held by or in trust for the use of any
"tribe of Indians.

"6. All lands belonging to a municipality when held
"for the public use of the municipality.

"7. The land of any person who owns not more than
"forty acres in a municipality or local improvement
"district, as the case may be.

"8. Land which for any reason is unfit for cultiva-
"tion within the meaning of the said expression as de-
"fined in the paragraph quoted above."

There is a supplementary record provided for the Wild Lands Tax, known as the Wild Lands Tax Roll, and provision is made in the Act for a separate assessment for this purpose, or in other words, provision is made for the separate

notification of property owners that their lands or certain of them, are to be assessed under the provisions of the Wild Lands Tax Act.

The proceedings respecting this work must be carried to completion before the Wild Lands Tax is ready to be carried to the General Tax Roll. For the time being we will assume that all the necessary detail has been performed, and that it is found that the lands to be assessed for this extra tax are assessed for general municipal purposes at $750,000. We therefore know that the Wild Lands Tax Levy will be $7500.00.

We also know that the assessment for the whole municipality is the tax base for the Public Revenues tax, and this being $2,400,000, the tax for this purpose will be $4800.

Now we come to the Supplementary Revenue Tax, which was levied on a different basis, inasmuch as it was levied on an acreage basis, whereas the other taxes are levied on assessed values. We will assume for demonstration purposes that there are 160,000 acres assessable at one cent, and 10,000 acres at one-half cent, making a tax of $1,650.

The Treasurer will find no difficulty whatever in making the necessary calculations and entries in the Tax Roll for any of these taxes, as the headings in the Roll are entirely self explanatory, so we will pass on to the required postings in the Ledger.

The taxes being, as already mentioned, a liability to the Provincial Treasurer contingent upon their collection, this amount must be placed to the credit of the Provincial Treasurer. Here again it is advisable to call the Journal into use and the following are the entries required for transfer to the Ledger.

Public Revenues Tax Account	**$ 4,800.00**	
Dr. to Provincial Treasurer		
Uncollected Pub. Revenue Taxes Acct.		**$4,800.00**
Wild Lands Tax Account	**7,500.00**	
Dr. to Provincial Treasurer		
Uncollected Wild Lands Tax Acct...		**7,500.00**
Supplementary Revenue Tax Account ..	**1,650.00**	
Dr. to Provincial Treasurer		
Uncollected Supp. Revenue Tax Acct.		**1,650.00**

These entries may be taken to represent all the work of recording the taxes of the municipality outside of their collection, and we may now take off a trial balance of the Ledger for further reference later on.

This will be as follows:—

		Dr.	Cr.
Accounts Receivable		$ 157.12	
Municipal Taxes Account:			
Arrears	$ 1,494.22		
Penalty	119.54		
Current	18,425.00		
	$	20,038.76	
Supplementary Revenue Tax Account:			
Arrears	324.60		
Penalty	25.97		
Current	1,650.00		
	$	2,000.57	
Public Revenues Tax Account:			
Arrears	431.20		
Penalty	34.50		
Current	4,800.00		
		5,265.70	
Wild Lands Tax Account:			
Arrears	600.00		
Penalty	48.00		
Current	7,500.00		
		8,148.00	
Provincial Treasurer:			
Contras to above:			
Supplementary Revenues			2,000.57
Public Revenues			5,265.70
Wild Lands			8,148.00
School Districts:			

	Arrears	Current	
A	$ 145.78	1,250.00	1,395.78
B	231.20	1,200.00	1,431.20
C	98.44	1,100.00	1,198.44
D	187.30	1,260.00	1,447.30
E	46.10	1,125.00	1,171.10
Rural Telephones:			
F		1,480.00	1,480.00
G		1,410.00	1,410.00

General Fund	9,719.54
Surplus	942.52
	$35,610.15 $35,610.15

This trial balance, in which is shown the component parts of the various accounts, which need not of course be done in actual practice, is at present a complete Balance Sheet of the municipality, but it will be readily understood that to obtain such a statement in actual practice is beyond the bounds of possibility, and would mean that absolutely all the clerical work and business of the municipality would have been at a complete standstill until the taxes had been levied, which is absurd.

The said statement discloses the fact that the municipality would have at its disposal for current mnuicipal purposes, the amount in the General Fund plus the surplus carried over from the previous year in this particular instance, because the said surplus is composed of liquid assets, such as accounts receivable and collectable municipal taxes, but wise financing would ignore the surplus and keep the expenditures well within the amount of the General Fund.

The trial balance now taken off will serve as a basis for subsequent demonstration purposes, it being intended to show a working example of the bookkeeping of a Rural Municipality for a complete year, in the ensuing chapters.

CHAPTER IV.

RECEIPTS

The moneys received by an average municipality are, as a rule, composed of the following:

Municipal Taxes
Town and Village School Taxes Arrears
Public Revenues Taxes
Wild Lands Taxes
Supplementary Revenue Taxes
Grants for Roads from the Highways Department
Grants for Wolf Bounty from the Department of Agriculture.
Tax Sale Receipts and Costs.
Tax Sale Redemption Receipts and Penalties, and sundry other small items.

The Receipts cash book is so ruled as to devote a separate column each to Municipal Taxes, Prior to 1914 School Taxes, Public Revenues Tax, Wild Lands Tax, Supplementary Revenue Tax, Redemption Receipts, Ledger Accounts and Bank Deposits.

We will assume for the time being that the receipts of the municipality for the year 1919 were as follows:—

Municipal Taxes		$ 8634.24
Public Revenue Taxes		4629.82
Wild Lands Taxes		7386.97
Supplementary Revenue Taxes		1683.53
Highways Dept. on Auto Grant		500.00
Dept. of Agriculture, re Wolf Bounty		109.50
Loans		20000.00
Poundage Excess		54.90
Tax Sale Costs—Cash Received before sale		18.50
Purchases by Municipality	$919.76	
Costs	19.50	
		939.26

Purchases by other parties	78.85	
Costs	1.00	
		79.85
Tax Sale Redemptions:		
Acct. Municipal Purchases	724.40	
Penalty on same	72.44	
		796.84
Tax Sale Redemptions:		
Acct. other purchasers	39.85	
Penalty on same	3.98	
		43.83
Tax Sale Redemption Certificates		5.25
Tax Certificates		2.75
Provincial Treasurer: Commission on		
Public Revenues Tax		192.50
Wild Lands Tax		341.75
Supplementary Revenue Tax		38.65
Total $45,458.14		

Let us consider now, first the reasons for these varied receipts, and secondly how to dispose of them properly in the books of the municipality.

The various Tax Receipts need no explanation, for we have seen how they were levied, and we can go straight to the manner of dealing with them in the books. The Provincial Treasurer pays the municipality 5% commission on taxes collected and remitted, which accounts for the receipts under this heading above.

The total of the Municipal Taxes Account column in the Cash Book is to be credited to that account in the Ledger, inasmuch as these payments reduce the amount owing to the Municipality under this heading.

In the first place, we have to treat the Government Taxes in the same way, and for the same reason, but we have to go further in the case of these taxes, as the collections become an immediate liability to the Provincial Treasurer, whilst the contingent liability has to be correspondingly reduced. We again need the journal in order to do this, and we need to open four more accounts, viz.,

Provincial Treasurer—Cash Account.
" " Public Revenues, Collections Acct.
" " Wild Lands, Collections Acct.
" " Supp. Revenue, Collections Acct.

In order to acomplish the end we desire, we have to make the following entries:—

Public Revenue—Uncollected Tax Liability Account	$ 4,629.82	
Dr. to Collections Acct.		$4,629.82
Wild Lands—Uncollected Taxes Liability Account	7,380.97	
Dr. to Collections Acct.		7,386.97
Supp. Revenue—Uncollected Taxes Liability Account	1,683.53	
Dr. to Collections Acct.		1,683.50

But at the same time we need to go farther, and record the amount due by the Provincial Treasurer for commissions on Government taxes collected, which, being earned by the municipality, should properly be credited to the General Fund. It is better to take a page for the commission on each tax, and keep same in close proximity to the tax account itself, and it is found to be most satisfactory for reference purposes to have this account follow the tax account itself.

Again, the Journal is advisable, and the entries are:

Prov. Treas.—Public Revenue Commission Acct.	$230.99	
Prov. Treas.—Wild Lands Commission Acct....	369.35	
Prov. Treas.—Supp. Revenue Commission Acct.	84.18	
Dr. to General Fund		684.52

The debit items in the three Commission accounts are naturally reduced by the amounts received from the Provincial Treasurer from time to time, the balance due always being an asset of the municipality.

The Department of Agriculture repays Councils 50 cents of each payment made for Bounty on wolf pups, not 50 cents on the dollar thereof, as it is sometimes supposed. The majority of municipalities pay $1.00 a head, but some pay $2.00 and others even more, but the payment of the Department is 50 cents a head, and is payable on receipt of the necessary Wolf Bounty Certificates from the Secretary Treasurer by the Department.

The grant shown as from the Department of Highways has now to be expended under the supervision of, and to the satisfaction of the Department before payment is made. Previously to 1919 the general custom was to add one-sixth of this grant to the apportionment of the divisions, but from now on this will neither be expedient nor practicable, owing to the regulations of the Highways Department.

LOANS. Whole pages on the method of handling Bank Loans in the books might be written, but we will content ourselves by discussing only one phase of the subject, that relating to discount loans. These are distinctly unfair, and penalize the municipality in excess interest. Let us take two examples, one of a straight loan in which the municipality gets the full amount of the loan, and the other in which the loan is a discount, or in other words, the interest is paid in advance. The following comparison is of interest, 10,000 being required for six months at 8% per annum:—

	Straight Loan	Discount Loan
Amount Received	$10,000.00	$9,600.00
Repayment	10,400.00	10,000.00
Interest Rate	8%	8.69%

So that not only does the Municipality not get the use of the full amount it requires, but it pays seven tenths of one per cent more for its money. The pity of it is that there are banks in Canada who do not realize that discounting in this manner is only usury under another name where the security is that of the general public and not of a speculative nature.

Where discount notes *must* be given, however, it is necessary to show only the amount placed to the credit of the municipality by the Bank, and when the discount is repaid a similar amount as principal and the balance as interest. This is a point frequently raised with Auditors, and the method advocated here is the only satisfactory one. Straight loans, of course, present no difficulty in this respect.

POUNDAGE EXCESS. This item represents sums paid in to the Secretary Treasurer by Poundkeepers appointed by the Municipality, and is the surplus moneys over the costs allowed for sale under the Estray Animals Act.

If the money is not claimed within twelve months from the date of sale it becomes the absolute property of the Municipality, but it must be left standing in the books as a liability of the municipality for that period, after which it may be transferred to the General Fund.

TAX SALE. The next item on the list of Receipts refers to costs of advertising properties for sale for taxes. The law allows the municipality to charge 50 cents per lot or parcel. This does not mean that each quarter section is subject to a charge of 50 cents, but that each holding of contiguous lands in the same name is subject to this charge.

Before going into the method of dealing with this part of Rural Municipal work, it will be advisable to discuss the general working of the Arrears of Taxes Act, and the necessary step to be taken in the books before the lands are advertised.

In the Tax Roll under each subdivision of taxes, a separate column headed "Tax Sale" will be found. When the time for advertising lands at the annual Tax Sale comes round, the Secretary Treasurer should take the amount of the various taxes on lands liable to be sold, and make out therefrom the Tax Sale list, showing thereon the total only, not the amounts owing for Municipal and the three Government taxes, and add to each parcel 50 cents for advertising, which will be done in a local paper and the Saskatchewan Gazette as provided by the Arrears of Taxes Act. Any taxes paid on these lands prior to the Tax Sale will be receipted for on the ordinary Tax Receipt forms, and be shown as Tax Collections in the ordinary manner.

After the Tax Sale, however, the Secretary Treasurer should enter in the Tax Sale Record the description of the land, the amount of taxes against the land, the amount sold for and to whom, and here it may be advisable to suggest that the Tax Sale Record be divided into two parts, the first to be kept for Municipal purchases, and the second for sales to private purchasers, as it is imperative that these should be kept separate for reasons which will be seen later on.

In the immediate future all these taxes should be taken

from out of the Tax Roll by means of the Tax Sale column, and great care should at this point be taken to see that the total of the taxes entered in the Tax Sale Record, agrees with the total taxes withdrawn from the Tax Roll, with the exception of the costs, 50 cents per parcel as above, which must be added to the amount of taxes against the lands at time of sale.

Having explained this procedure, it is now opportune to see why it is necessary to keep the amount of costs separate. The costs received before the day of sale should be placed to the credit of Tax Sale Costs Account in the Ledger, from the Tax Receipt entered in the Cash Book. But no means are provided whereby the costs on lands actually sold for taxes, can in the financial statement be added to unpaid taxes, and shown in the amount of Tax Sale inclusions. Consequently we have to separate the actual taxes from the costs in order to make comparison of the tax statement, with the receipts statement, possible.

Reverting to the procedure of the Secretary Treasurer at Tax Sale, we will assume that he finds the amount he is required to obtain for tax sale are as follows:—

Municipal Taxes .....$	525.61
Public Revenue Taxes	125.18
Wild Lands Taxes	318.24
Supplementary Revenue Taxes	50.08
Costs	20.50

These amounts will have to be taken from their respective tax accounts, and the following entries are necessary:—

Tax Sale Account .....$	1,039.61	
Dr. to Municipal Taxes		525.61
Dr. to Public Revenue Tax Account		125.18
Dr. to Wild Lands Tax Account		318.24
Dr. to Supp. Rev. Tax Account		50.08
Dr. to Tax Sale Costs		20.50

But we have also to protect the equity of the Provincial Treasurer in these taxes, for the Municipality is responsible to the Government for payment of Government taxes included in Tax Sales, so the liability in respect of the Government Taxes, specified above has now become direct instead

of contingent, and we have therefore to make the following transfers:—

Public Revenue Uncollected Taxes Liability Account .....$	125.18	
Dr. to Public Revenue Collections Acct.		$125.18
Wild Lands Uncollected Taxes Liability Account	318.24	
Dr. to Wild Lands Collections Acct. ..		318.24
Supp. Rev. Uncollected Taxes Liability Account	50.08	
Dr. to Supp. Rev. Collections Acct. ..		50.08

We are now ready to record the receipt of the moneys received according to our statement of receipts, and these may be entered in a special column provided for that purpose in the cash book, and therefrom to the A/c "Tax Sale" in the Ledger, which it will be seen, now cancels itself.

Our next item in connection with Tax Sale transactions is the recording of Redemption receipts, and here we see the advisability of separating the Municipal Purchases from the Private Purchases in the Tax Sale Record.

The Municipal Purchases stand in the books at their purchase price as an asset, and the penalties accrued and received thereon belong to the Municipality and are a credit to the General Fund. It is therefore necessary to have an extra column in the Municipal purchases account, to take care of the penalties. As a receipt for Municipal purchases is shown herein, it is assumed that the Municipality is sued a cheque in its own favour in payment of the price paid, viz. $939.26. We also find separately at the right hand side of the Cash book, columns separating first Municipal from private purchases and further, the purchase price from penalties. In the case of private purchasers the penalties belong to the purchaser, and are a liability of the Municipality till paid. The Municipal Purchases Ledger account, after the redemptions are posted, will therefore appear as under:—

		Purchase Price	Taxes	Penalty	To General Fund	Balance
		Dr.	Cr	Cr.	Dr.	
To Purchases	C.B.	939.26				Dr. 939.26
By Redemptions	C.B.		724.40	72.44	72.44	Dr. 214.82

The last figure in the Balance column should always agree with the unredeemed Municipal holdings in the Tax Sale Record.

The Ledger account for private purchases will appear as under after the private purchase redemptions are entered in the Ledger from the cash book:—

	Amt. Sold for	Penalty		Balance
By Redemptions	39 | .85	3 | .98	Cr.	43 | .83

This amount will later in the book be found to have been paid to the purchaser in return for the tax sale certificate he holds.

Tax Sale Redemption certificate and Tax Certificate fees are the property of the Municipality and as a rule one page of the ledger is used for both classes of receipts, which are usually small.

This completes the recording of the receipts on the one side, but does not deal with the charging of them to the Secretary Treasurer, and it is presumed that the reader understands that the credit entries so far enumerated, require a contra debit in order to complete the double entry. He is required by law to keep separate from Municipal Funds, all collections on behalf of the Provincial Treasurer.

All municipal Receipts are a debit to Municipal Cash, and all Government taxes a debit to the Provincial Treasurer's Cash Account. These amount respectively to $31,757.82 and $13,700.32 and should be posted to their accounts from the footings in the Cash book. There is a money column headed Total Receipts on the left hand of the cash book which includes both Municipal and Government receipts, so it is needful to separate this column as between the two accounts. At the foot of the total column therefore it is well to subtract from the grand total of receipts, the total of the Government taxes as exemplified in the following:—

	Total Receipts from all Sources	Municipal Taxes	Pub. Rev. Taxes	Wild Lands Taxes	Supp. Rev. Taxes	Other Receipts
Total carried forward	45478.64	8634.24	4629.82	7386.97	1683.63	23153.98
Government Taxes posted to debit of Provincial Treas. Cast Acc.	13700.32					
Amount posted to debit of Municipal Cash Acc.	31778.32					

* The whole ruling of the cash book cannot well be displayed herein and consequently the receipts from sources other than taxes are for the sake of convenience included in this column.

The recording of Bank deposits is also done from the Cash Receipts book, and we will assume that they have amounted to $13,456.28 on account of the Provincial Treasurer, and $31,620.84 on account of Municipal Cash. There are three columns provided for Bank deposits, one of which in the present case will be reserved for Municipal, and the second for Provincial Treasurer's Cash. In some Municipalities Bank accounts are kept at two towns, and in such case the third is called into use whilst in others it is necessary to use it for a special Seed Grain account and in others again, for some special purpose.

The footings of the deposit columns are posted twice, once to the credit of the cash account, and again to the debit of the Bank, and both folios should be given at the point of posting, the one at the left hand being used for the debit to the Bank and one at the right for the credit to the cash account, thus

Municipal Deposits		Provl. Treas. Deposits	
31620	.84	13457	.28
B 1	C 1	P. T. B. 1 P. T. C. 2	

Whilst the examples here taken only provide one posting to the ledger for the year, it must be distinctly understood that the Secretary-Treasurer is expected to, and should make these postings every month.

The use of the journal also, if restricted solely to the purposes herein mentioned, will, it is believed, not be objected to by the officials of the Municipal Department, but indiscriminate journalization is the cause of so much muddling, that the Inspectors cannot be blamed for prohibiting its use except by men who thoroughly under-

stand this, and are content to restrict the work of the journal as aforesaid, with the exceptions of transferring the divisional apportionments from the General Fund, and the closing entries for the year, which will be dealt with in a chapter devoted to that subject.

We have now made all the necessary entries requisite to properly record the receipts of the municipality, and had better see how the ledger stands after so doing.

This will be as under:

			Dr.	Cr.
Accounts Receivable			$ 157.12	
Municipal Taxes Acct.....$20038.76				
Less receipts .$ 8634.24				
Less Tax Sale 525.61				
	9159.85			
			10878.91	
Municipal Cash Account, Receipts		31778.32		
Less Deposits		31620.84		
			157.48	
Municipal Bank Account			31620.84	
Prov. Treas., Bank account			13456.28	
Prov. Treas., Cash Acct. Receipts..		13700.32		
Less Deposits		13456.28		
			244.04	
Public Revenues Taxes Acct. 5265.70				
Less Receipts . 4629.82				
Less Tax Sale. 125.18				
	4755.00			
			510.70	
Prov. Treas.—Pub. Rev. Collections Acct.:				
Receipts	4629.82			
Tax Sale	125.18			
				4755.00
Prov. Treas., Pub. Rev. Uncollected Tax Liability as per prev. statement..	5265.70			
Less transfers to collections	4629.82			
Less transfers to Tax Sale .. .	125.18			
	4755.00			
				510.70

Prov. Treas., Comm. on Public Revenue Collections:			
Amount earned		230.99	
Less Receipts		192.50	
			38.49
Wild Lands Tax Account		8148.00	
Less Collections	7386.97		
Less Tax Sale	318.24		
		7705.21	
			442.79
Prov. Treas., Wild Lands Collections Account:			
Receipts		7386.97	
Tax Sale		318.24	
			7705.21
Prov. Treas., Uncollected Tax Liability as per previous statement		8148.00	
Less transfer to collec's.	7386.97		
Less transfer to collections	7386.97		
Tax Sale	318.24		
		7705.21	
			442.79
Prov. Treas., Comm. on Wild Lands Collections:			
Amount earned	369.35		
Less Receipts	341.75		
			27.60
Supplementary Revenue Tax Acct.		2000.57	
Less Receipts	1683.53		
Less Tax Sale	50.08		
		$ 1733.61	
			266.96
Prov. Treas., Sup. Rev. Uncollected Tax Liability as per previous statement		2000.57	
Less trans. to collections	1683.53		
Less trans. to Tax Sale	50.08		
		1733.61	
			266.96
Prov. Treas., Supp. Rev. Collections Acct:			
Receipts	1683.53		
Tax Sale	50.08		
			1733.61
Prov. Treas., Comm. on Collections:			
Earnings	84.18		

Less Receipts	38.65		
		45.53	
Tax Sale Account:			
Amount of Taxes	1039.61		
Amount realized	1039.61		
			nil
Tax Sale Costs Account:			
Receipts prior to sale		18.50	
From Tax Sale Account		20.50	
			39.00
Tax Sale Redemptions Account—Municipal:			
Taxes		724.40	
Penalties		72.44	
		$ 796.84	
Transfer to General Fund		72.44	
			724.40
Tax Sale Redemption Acct., Private			43.83
Loans			20000.00
Highway Department, Grants			500.00
Dept. of Agriculture, Wolf Bounty, Current			109.50
Poundage Excess.....			54.90
General Fund:			
As per last statement..... ..		9719.54	
Provl. Treas. Comm.		684.52	
Tax Sale Redemption Penalties ..		72.44	
			10476.50
Tax Sale Redemption Certificates ..		5.25	
Tax Certificates		2.75	
			8.00
School District A.....			1395.78
" " B.....			1431.20
" " C.....			1198.44
" " D.....			1447.30
" " E.....			1171.10
Rural Telephone Co. F.....			1480.00
Rural Telephone Co. G.....			1410.00
Surplus account			942.52
			$57,846.74 $57,846.74

It is, of course, superfluous to again point out that the figures above given are purely hypothetical, and that no such trial balance would be possible in actual practice.

as expenditures would have been made which would materially alter the figures above.

It will be noted from the foregoing that on each of the Government Taxes, the liability on uncollected taxes is equivalent to the uncollected taxes themselves. This should always be proved in every trial balance if not after every posting.

It will also be noted that the Municipal Tax Sale Redemption account shows a credit balance, which is an impossibility in actual practice. This is because the amount of the Municipality's purchases has not yet been posted to this account.

It will further be noticed that the Tax Sale account has wiped itself out, which should always be the case.

The other accounts appear to explain themselves in accordance with the foregoing pages, with the exception that where used, "as per prevous statement" refers to the trial balance taken off at the end of the previous chapter.

In the present instance the valuation of all the divisions is the same, a thing very unlikely to occur in actual practice. Therefore we know that the taxes raised in each division will amount to one-sixth of the total levy for municipal purposes. This totalled for the year under consideration $9600.00, therefore the taxes raised in each division were $1600.00. *The Act stipulates that 50% of the moneys raised for public works in a division shall be spent therein,* but provides for the passing of a resolution reducing the percentage, but it does not state that more than 50% may not be spent, and we find the majority of Rural Municipalities are allotting 60% for Divisional expenditures, and we will take that figure for the basis of our example. The entry necessary to place this amount

at the disposal of the divisions may be made through the journal, thus:

General Fund $5760.00		
Dr. to Division 1..... .....$960.00		
" " 2.....		960.00
" " 3.....		960.00
" " 4.....		960.00
" " 5.....		960.00
" " 6.....		960.00

with an explanatory note to the effect that these figures represent the divisional apportionments for the year, as provided by resolution of the Council at such and such a meeting.

At the end of the ledgers prescribed for Rural Municipalities there will be found some sheets with several debit columns and only one credit column. These are intended for the accounting of the divisions and the last column but one is intended for the amount of the appropriation, the last column for the balance to the debit or credit of the division, and the preceding columns for the dissection of the expenditures thereof.

There is just one other item on the receipts side of the prescribed annual statement of receipts and expenditures which needs explanation, viz.: outstanding cheques, but this will require to be dealt with in connection with the expenditures of the Municipality, and may be left over till then.

A supplementary statement is required in connection with the taxes and receipts of the Municipality, which may be compiled quite easily when the books, particularly the Ledger, are in good condition, but difficulty is invariably experienced when the books are otherwise. In the present case, all the necessary information to compile this substatement, called the tax statement, is available, and the statement will be as follows. The student will find it advantageous to trace this statement back in the preceding chapters.

Particulars of Assessments and Tax Accounts

	No. of Acres Assessed	Valuation	Added Amounts	Current Municipal Tax at .... mills on $ including added amounts
Division 1	28,330	400,000		1600.00
2	28,350	400,000		1600.00
3	28,330	400,000		1600.00
4	28,330	400,000	none	1600.00
5	28,330	400,000		1600.00
6	28,330	400,000		1600.00
Hamlet of				
Hamlet of				
	170,000	2,400.00		9600.00

No. of acres

Hail Insurance .....

Acres withdrawn .....

Acres exempt .....

Net acreage

Current Rural School Taxes	Current Noxious Weeds	Destruction of Gophers Current	Hail Insurance Tax	Rural Telephone Tax	Current Municipal Tax
5935.00				2890.00	18425.00

Municipal Taxes—Total Current, brought down	18425.00	
" " Total Arrears from 1918	1494.22	
" " Penalty added Jan. 1, 1919	119.54	
Wild Lands Taxes, Current	7500.00	
Arrears from 1918	600.00	
Penalty added Jan. 1, 1919	48.00	
Public Revenues Taxes, Current	4800.00	
Arrears from 1918	431.20	
Penalty added Jan. 1, 1919	34.50	
Supp. Rev. Taxes, 16000 acres at 1c, 10000 at ½c	1650.00	
Arrears from 1918	324.60	
Penalty added Jan. 1, 1919	25.97	
Penalty added Nov. 1, 1919	25.97	
Hail Taxes		
		35453.03

Total Municipal Collections	8634.24	
" Wild Lands Collections	7386.97	
" Public Revenues Collections	4629.82	
" Supp. Revenue Collections	1683.53	22334.56

Cancellations Sold for Taxes	Municipal	Wild Lands	Public Revenue	Supp. Revenue	
	525.61	318.24	125.18	50.08	1019.11

Balance uncollected—Municipal	10878.91	
Wild Lands	442.79	
Public Revenue	510.70	
Supp. Revenue	266.96	
		35453.03

The foregoing figures definitely prove the correctness of the various tax accounts, providing the amounts shown as uncollected agree with the tax roll totals of them.

The Hail tax, Destruction of Noxious Weeds, and Destruction of Gophers are not dealt with in this section of the book, as the expenditures under these headings need careful explanation, and the chapter devoted to expenditures is the more expedient place to give this.

Cancellation of taxes, of which we have had none in our example so far, may, however, be here dealt with to advantage.

We have first to decide, when taxes are cancelled, as to whom the loss incurred thereby will fall upon, and it is evident that the loss occasioned by the cancellation of Municipal taxes must fall on the Municipality, and that therefore the reduction of the tax account must be offset by a charge on the General Fund. Similarly it is clear that school taxes cancelled are a charge upon the school district affected, and that therefore a cancellation of school taxes must be offset by a debit to the account of any district in which taxes have been cancelled. In the same way any of the three Government Tax accounts affected by cancellations must be offset by a charge on the liability account of the Municipality for uncollected taxes in respect of the individual tax account upon which there has been a cancellation.

Great care must, however, be taken to see that the consent of the Wild Lands Tax Commissioner has been obtained before any cancellation of a Wild Lands Tax is made, and that the acquiescence of the Superintendent of Revenues is secured before cancelling either a Public Revenues Tax or a Supplementary Revenue Tax. Failure to do this results in endless confusion at the end of the fiscal year, when the auditor makes his statutory returns to the Superintendent of Revenues.

School taxes levied prior to 1914 have in the past caused considerable difficulty in accounting, but so few Municipalities are now affected with this trouble, which

has been a regular plague spot for the past few years, that they have been omitted in this book heretofore.

A few words of explanation on this subject, may, however, be timely. Up to 1914 Municipalities were only expected to pay the school taxes over as they were collected, and very often it was found that the Municipalities were financing themselves on the moneys they had collected on behalf of the schools, leaving the schools to finance themselves, which was very often a matter of considerable difficulty and in some cases an impossibility, resulting in the closing up of the schools. The Legislature then came to the assistance of the schools by insisting that schools be paid one-fourth of their demands quarterly, irrespective of whether the taxes were collected or not, taking away the power of the schools to borrow, and vesting power in the Municipality to borrow 80% of the amount estimated to be required for school purposes. From the standpoint of the Municipal Secretary this meant one of two things:

(a) He must pay over to the school all uncollected taxes at the end of 1913, thereby closing the old school taxes into the Municipal Tax Account, or

(b) He must keep two sets of accounts, the one set for keeping record of the School taxes prior to 1914, with the contra accounts for liabilities on collected taxes as a direct liability, and for the uncollected taxes as a contingent liability in the same manner as we are now treating the Government taxes, and a second account for the direct liability in connection with the current taxes.

In some Municipalities there are over 25 school districts and the complications caused by the second system were endless. School Secretaries complained right along that the Municipal books were wrong, without any definite proof in support of their statements, and Treasurers of Municipalities were worried from year end to year end over this subject.

Fortunately, Rural Municipalities in general have in the past few years put themselves in such excellent fin-

ancial condition that they have been able to pay off all these old liabilities to Schools, and there are so few Municipalities adhering to their rights under the old legislation permitting them to pay the Schools these old taxes as they collected them, the majority paying the schools their claims to the end of 1913 in full, that no useful object may now be served by going into the matter in detail, and opening separate accounts for this purpose herein, so they have been omitted entirely from the transactions of the hypothetical Municipality whose accounts we are now considering.

Cancellations of these old taxes are frequent, and may be passed over with the remark that where such taxes are now included in the Municipal Tax, they must carry a contra debit to the School districts in which the taxes have been cancelled.

CHAPTER V.

EXPENDITURES

We now come to the Expenditures of the Municipality. These are manifold and varied, but it is not intended in this work to do more than deal with the general aspects of recording these, and of dealing with such matters as may, if wrongly handled, lead to complications and future trouble. A cash book is provided under Government regulation, which now takes care of all salient features, and which, if properly kept, is very close to the ideal.

Care should be taken by the Council and its officials to see in that every case all expenditures come within the circumscription of the various Acts under which a Municipality is empowered to expend moneys, and which have been dealt with in earlier chapters.

Following out our idea of writing up the complete set of books for a Municipality for a year, we will assume the following figures for expenditures:

Divisional payments as per details	4700.00
Printing, stationery and postage	300.00
Election Expenses	75.00
Salaries: Sec. Treas., $1500.00; Assessor, $300.00; Auditor, $200.00	2000.00
Indemnity: Council $400.00; Hospital 50.00.... ..	450.00
Weed Inspectors' Fees	500.00
Provincial Treasurer:	
Wild Lands Collections	6450.00
Public Revenues Collections	4000.00
Supplementary Revenue Collections	1400.00
Loans: Principal, $20,000.00; Interest $1000.00...	21000.00
Rural Telephone Companies	1890.00
Poundage Excess	30.00
Supervision, Members of General Roads	100.00
Tax Sale, Costs of Advertising Sale.....	50.00
Tax Sale Purchases by Municipality	939.26
Redemption Account—Private Purchases	43.83
On account of Liabilities:	
Provincial Treasurer:	
Supplementary Revenue account	324.60
Public Revenue Account	431.20
Wild Lands Account	600.00
Schools	708.82
	$45,992.71

The Cashbook prescribed for recording Expenditures, before providing for their dissection, first provides for their entry in total. Its next columns provide for their charge to the Bank account on which they are drawn. The ruling of this book so far is as under:

EXPENDITURES CASH BOOK

Date	Name	Cheque No.	Total Expenditure	No. of O-S cheque paid	O-S Cheques paid	Bank of	Bank of	Provincial Treasurer Bank
			1	2	3	4	5	6

and the operation of this part of the book is most important. The sum total of every cheque should be entered in Column No. 1. Leaving columns 2 and 3 out of consideration for the time being, it will be seen that two Bank columns are provided. The reason for this is that many Municipalities require checking current accounts at two points in the Municipality. A word of advice to Treasurers in this may be interjected to the effect that only original funds should be deposited at any time, and that it is not good business to deposit all funds in one bank, and to transfer necessary funds to the other account by Municipal cheque under the prescribed system of accounting, as this last almost invariably causes trouble. The Voucher cheque form used by Rural Municipalities may be obtained in such form that the name of the Bank can be filled in by the Treasurer. Great care is necessary to see that this information is also given on the stub or counterfoil. When making the entry of a cheque, therefore, the amount should also be entered in the column for the Bank on which it is drawn. The law requires also that all moneys collected on behalf of Wild Lands, Public Revenues and Supplementary Revenues shall be deposited to the credit of the "Provincial Treasurer's Trust Account." Incidentally, this account must now be in the name of the Municipality and not in that of the Treasurer as formerly. 1918 legislation made the Council the Agent of the Government for these collections, not the Treasurer. In consequence of this all cheques should be drawn in the name of the Municipality and signed by the Reeve and Secretary-Treasurer just as other municipal cheques should be, and the name of the account on which such cheques are drawn should be plainly marked thereon. Expenditures under this heading should be entered in the Total Expenditures column and also in the Provincial Treasurer's Bank column.

It will be observed that reference to the columns recording actual payment of cheques by Banks has hitherto been omitted. This seems to be an incomplete method

of handling this feature, and from actual experience it would seem that it is preferable to make a proper Cash and Bank Reconciliation on spare space in this book as follows, **every month:**

General Cash:		
On hand at commencement ....$		102.50
Receipts as per Cash Book		2504.70
		2607.20
Deposits as per Pass Book		2581.40
On hand at close		25.80
Provincial Treasurer's Cash:		
On hand at commencement		92.70
Receipts as per Cash Book		940.10
		1032.80
Deposits as per Bank Book		908.50
On hand at close		124.30
General Bank Account:		
Pass Book Balance at Commencement		1102.30
Deposits as above		2581.40
O/s cheques at Commencement	345.60	
Cheques issued	2011.20	
	2356.80	
Less uncashed as per list	472.50	
		1884.30
Pass Book Balance at close		1799.40
Provincial Treasurer's Bank Account:		
Pass Book Balance at Commencement ..		604.20
Deposits as above		908.50
		1512.70
O/s cheques at commencement	150.00	
Cheques issued	1104.20	
		1254.20
Pass Book Balance at close		258.50

No outstanding cheques.

This method has the advantage of bringing all the Bank and Cash transactions into one place each month, instead of having to refer to three books, as under the prescribed system. The Treasurer will, in order to follow out this system, have to obtain the totals of cheques cashed, and deposits made, from the Bank Books, and where this rule has been followed, as it is in many places, no trouble ever occurs in reconciling the Bank accounts with the Cash Book. There is also no need, under this scheme, to keep an outstanding cheques account in the ledger. This is never done in larger sets of books, and there would appear to be no valid reason, except carelessness of Treasurers, for asking for it in Rural Municipalities.

Having seen how these matters are treated in the Cash Book, their transfer to the Ledger may be considered. The total Expenditures column need not be posted to the Ledger at all, as the amounts charged to the Bank should equal this column. The General Bank account column footing should be posted to the credit of this account in the Ledger, and similarly that of the Provincial Treasurer's Bank account. It behooves the Treasurer next to see that the dissection of payments to the Provincial Treasurer as between Wild Lands, Public Revenues and Supplementary Revenues remittances, agree in total with the amount credited in the Provincial Treasurer's Bank account column, and also that the dissection of the General Expenditures agrees in total with the amount credited therefor in the General Bank Account.

The prescribed Cash Book is dissected with columns to the right of Column 6, as under:

Provincial Treasurer Supplementary Revenue
Wild Lands
Public Revenue

Several blank columns.

These blank columns should be used for the dissection of accounts which usually contain two or more payments each month, which can be posted from the footings at the end of the month. Then follows a series of three columns

for recording payments under headings which do not occur more than once in each month, which is equivalent to the "Sundries" columns in other books, the first being for the title of the item, the second for the amount and the third for the Ledger folio. Such items as payments to Schools, Telephone Companies, Secretary-Treasurer's Salary, Gopher Poison, etc., should be treated in these columns, whilst in a general way the blank columns may be used for Printing and Stationery, Indemnity, Gopher Bounty, Wolf Bounty, General Roads, Tax Sale Redemptions, etc. After these columns there are provided six groups of six columns each for the six divisions of the Municipality. Usually it is found that Roads, Culverts, and Machinery are the three most used titles for these columns.

There would be no useful purpose served in tracing each of these items to the Ledger, it being assumed that the reader will know that the totals of each provided column and the details in the "Sundries" column must be carried to the Ledger, and appear on the debit side thereof as contra to the credit entries made on the Bank Ledger accounts.

It will, however, be advisable to discuss some of the numerous headings provided in the annual statement required.

Indemnity:

$5.00 a day is allowed the Reeve, and $4.00 a day each Councillor for attending Council meetings, in addition to ten cents for each mile actually travelled to and fro. Not more than fifteen meetings may be paid for in any year.

Hospital Indemnity:

The members of the Council and the Secretary or Reeve, appointed the representative of the Municipality on a Union Hospital Board may be paid at the same rate. Hospital funds may not be used for this purpose.

Loans:

Special places are provided on the statement—on both sides—for loans for the following purposes:

1. Municipal
2. School.
3. Seed Grain
4. Hail Insurance
5. Rural Telephone

Schools and Rural Telephone Companies have no right to borrow for current purposes, it being the duty of the Municipality to do this if necessary. Special provision is made by legislative enactment to give the Municipality this power. As the school and telephone taxes are not treated separately in the tax roll, it is difficult to see what is gained by them keeping separate, unless the separation is necessary to allow the charging out of interest to the Schools and Telephone Companies. Seed Grain loans are made solely upon authorization of the Seed Grain Act, and are secured primarily by the notes of the ratepayers requiring Seed Grain and secondarily upon the general credit of the Municipality. Hail Insurance loans are made for the purpose of enabling the payment of the Hail Tax to the Hail Association in full. Where this is done, all penalties on hail tax are the property of the municipality. Where the Association is not paid in full by November 15th each year, all penalties belong to the Association. Inasmuch as each quarter section on which hail tax is not paid by October 31st in each year is mulcted $1.00 and an additional eight per cent on the total of the tax on the ensuing January 1st, it would appear to be good business to make a special effort to pay up in full by the prescribed time.

Noxious Weeds and Gophers:

In certain cases the Municipality may charge this expense to the land. In others, such as where Crown lands are affected, it may not. The former cases are therefore required to be brought into the Balance Sheet as an asset

until such time as they are paid, whereas in the latter they are merely a municipal expense.

Schools:

In Rural Districts all taxes levied prior to 1914 are only payable to the District as collected. Subsequent levies have to be paid over in full, whether collected or not. The same is true of Village School taxes levied prior to 1919, whilst up to date, all Town School District taxes are still payable only as collected, though very few Rural Municipalities do other than pay up in full. Consequently separate headings are necessary in the financial statement. Details of these transactions are obtained from the supplementary statements of School Taxes provided elsewhere on the statement form.

Debentures:

Exception may be taken to the inclusion of Debenture Discount as a Cash expenditure. The idea is that the face value should be shown as a Cash receipt and be offset by the amount of discount being shown as an expenditure. There is no doubt but that this is wrong in principle, and that the necessary entry should be in the Ledger and not in the Cash Books. A Treasurer should be able to prove his Cash on hand by deducting his deposits from his receipts, but if this discount is added to the receipts, then it has to be taken into consideration. It would seem that the better plan is to show the net receipt, and let this be the only entry in the Cash Book. This of course is transferred to Debenture Liability account in the Ledger, and a further cross entry made in the Ledger crediting Debentures and debiting Debenture Expenditures with the amount of the discount. Theoretically, even this is not quite correct, for the discount should be carried forward as a prepaid expense to future years within the life of the bonds, and written down annually proportionately to the annual repayments, but the pro-

cedure outlined will meet the requirements of Rural Municipalities.

Debenture Instalments:

These should be posted to an account opened for the purpose and not be charged against the Debenture Liability, otherwise there can be no charge made to the General Fund or Revenue account at the end of the year, and the showing would therefore be incorrect. On the theory that the assets created by means of Capital expenditures should have a life equal to that of the bonds by which they were financed, the annual repayment fixes the amount of depreciation. A further double entry is therefore necessary in the Ledger, charging the Debentures and crediting Debenture expenditure with the amount of the Annual Instalment repaid.

Debenture Disbursements:

Under this caption all expenditures made from Debenture proceeds should be placed. In no case is it correct to credit each division with its share of Debentures and credit the expenditure as a divisional expenditure.

Debentures Union Hospital:

Rural Municipalties borrow the necessary capital for Union Hospitals, and therefore show a liability under this caption. The title to the Hospital is in the name of the Hospital District, consequently the Municipality cannot show an asset in exactly this form. It can, and should, however, show a "Prepaid Charge to Future Revenues" in the shape of Union Hospital Debenture Disbursements. and write this down annually in the same manner as other Debenture Disbursements are written down.

Seed Grain Purchased:

This item should represent all disbursements made for Seed Grain, and the contra for moneys borrowed for this purpose should never exceed the figure so displayed.

Hospital Maintenance:

The Hosptal Board may require its constituent municipalities to finance the maintenance of the Hospital on one of two plans, the first being to render the Municipality all bills for patients for the Municipality to collect, and the second only such bills as the Hospital has not collected. In any case there is likely to be a deficit on Maintenance Account which is apportioned between the constituent municipalities. This heading should only be used for the deficit. The other demands for patients' bills should appear under "Hospital Aid," chargeable to person, or Aid and Relief, the former heading being used where the Municipality is able to secure reimbursement and the latter where it is not.

Hospital Taxes:

Where a Union Hospital is in operation, it is sometimes necessary to levy a special tax for its maintenance. Where this is done, the Taxes should be treated as a Trust Tax such as the Provincial Taxes, unless the Municipality is able to pay over the full amount of the levy whether collected or not. In such case it may be included as Municipal Taxes in the Ledger. Where a tax is levied there should be no charge to Hospital Maintenance as in the previous paragraph.

Saskatchewan Association of Rural Municipalities:

Charges to this account should include the annual membership fee, and also the expenses of the Council's delegates to the annual meeting of the Association.

Wolf Bounty:

No further reference to this account need be made other than that this is now purely a municipal expense and the Government bears no portion of it, excepting 50 cents a head for pups and $10.00 for timber wolves.

Buildings Cost:

Not more than $500.00 may be spent, or liability in-

curred. on Municipal Buildings in any one year without the consent of the ratepayers. This restriction is often ignored (with excellent reason) but if some hypercritical ratepayer chose to assert his strict rights it is quite possible the Councillors authorizing the expenditure might find themselves personally responsible for any amount expended over the stipulated sum.

Municipalities, Account Work Jointly:

It is sometimes expedient for a Municipality to join with another for the purpose of performing some special work of mutual benefit. In such case, one or the other will pay all the bills and secure reimbursement from the other. This heading is therefore valuable only in the case described. The other municipality might well charge its share to the actual work, whether General Roads, General Bridges or what not.

Poundage Excess:

Under the Estray Animals Act, the excess of proceeds over expenses in connection with the sale of impounded animals must be held in trust for the owner for a year after the sale, when any such account becomes the property of the Municipality.

Supervision on General Roads:

Members of the Council are entitled to a small fee for this purpose, details of which must be given elsewhere on the annual statement.

Tax Sale:

The amount under "Redemption Account" private purchases will be posted to offset the credit previously made for moneys received to redeem properties and represents moneys paid to the Tax Sale purchaser. Under Municipal Purchases the procedure has been demonstrated on page 48.

The lower portion of the expenditures side of the statement is reserved for the display of payments on ac-

count of previous liabilities. If the ledger is properly kept, these present no difficulty and we may pass on to our hypothetical book-keeping illustration.

The Trial Balance of the Ledger will now be as follows:

		Dr.	Cr.
Accounts Receivable		$ 157.12	
Municipal Taxes Account		10878.91	
Municipal Cash Account		157.48	
Municipal Bank Act.as per first trial	31620.84		
Municipal cheques issued	37786.91		
			6166.07
Provincial Treasurer's Bank Account as per first trial	13456.28		
Cheques issued	13205.80		
		250.48	
Provincial Treasurer's Cash Account as per first trial		244.04	
Public Revenues Taxes Account as per first trial		510.70	
Public Revenues Collections Account as per first trial	4755.00		
Less cheques	4431.20		
			323.80
Public Revenues Uncollected Tax Liability			510.70
Public Revenues Commission on Collections		38.49	
Wild Lands Taxes Account as per first trial		442.79	
Wild Lands Collections Account as per first trial	7705.20		
Less cheques	7050.00		
			655.20
Wild Lands Uncollected Tax Liability			442.79
Wild Lands Commissions on Collections		27.60	
Supplementary Revenue Tax Account		266.96	
Supplementary Revenue Collections Account as per first trial	1733.61		
Less cheques	1724.60		
			9.01

Supplementary Revenue Uncollected Tax Liability			266.96
Supplementary Revenue Commission on Collections		45.53	
Tax Sale Costs Acct. as per first trial Cr.	39.00		
Expended	50.00		
		11.00	
Tax Sale Purchases, Municipal Purchases	939.25		
Redemptions	724.40		
		214.85	
Tax Sale Redemptions, Private Purchasers:			
Receipts	43.83		
Payments	43.83		
Loans:			
Receipts	20000.00		
Payments	20000.00		
Interest		1000.00	
Highway Department Grants			500.00
Dept. of Agriculture, Wolf Bounty.			109.50
Poundage Excess:			
Receipts	54.90		
Payments	30.00		
			24.90
General Fund, as per first trial.			4716.50
Tax Sale Redemption Certificates			5.25
Tax Certificates			2.75

School Districts:	Liability	Payment	
A	$ 1395.78	$1200.00	
B	1431.20	1200.00	
C	1198.44	1050.00	
D	1447.30	1200.00	
E	1171.10	1058.82	
	$6643.82	$5708.82	935.00

Rural Telephone Companies:	Liability	Payment	
F	$ 1480.00	$1000.00	
G	1410.00	890.00	
	$2890.00	$1890.00	1000.00

Division 1	340.00	
2		510.00
3		260.00
4		460.00
5		160.00
6		10.00
Printing, Stationery, Postage, etc...	300.00	
Salaries—Secretary Treasurer	1500.00	
Assessor	300.00	
Auditor	200.00	
Weed Inspector	500.00	
Election Expenses	75.00	
Indemnity—Council	400.00	
Hospital	50.00	
Supervision General Roads	100.00	
Surplus as per previous trial		942.52
	18010.95	18010.95

The Trial Balance is now fully representative of the transactions of the Municipality for the year, and the Ledger is ready for closing. This will be explained in the next chapter, but before passing on to this operation, the Treasurer should make sure of certain things, to wit:

1. That the uncollected Government Taxes in each case agree with the offsetting liability.

2. That the Bank Accounts and Cash Accounts agree with their respective reconciliations in the Cash Book.

3. That the Tax Roll figures agree in total with the assets shown for uncollected taxes.

4. That the Tax Sale Purchases agree with the total cost of unredeemed lands as displayed in the Tax Sale Redemption record.

5. That where any loans are unpaid, the Bank notes agree with the Ledger figures.

6. That all current liabilities of the Municipality are either paid or set up in the books, as explained in the following chapter.

7. That the amount of cash on hand and in the Bank on account of the Provincial Treasurer, agrees with the

amount shown to be due the Provincial Treasurer on account of collections.

From the foregoing chapters, we have seen how the entries of all financial transactions are made from month to month from the books of original entry to the ledger. At the end of the year this book, which is in reality, nothing but a summary of all such transactions, has to be, or should be, "closed," or in other words, all transactions shown therein which only refer to the work of the year just ended, have to be balanced. This raises a very natural question, "What do these accounts comprise and what accounts are not affected by the closing?"

A simple rule is to say that all accounts which do not represent assets or liabilities should be closed, and those which do represent assets and liabilities should not.

In closing the ledger, all debits for current expenditure, other than expenditures made on assets, should be carried to General Fund as debits thereto, and all credits for current receipts which have not been applied in reducing assets, e.g., such as cash received from the sale of a team of municipal horses, to the credit of the same account. Here, again, if there is a revenue or general fund account, these postings will be made direct to such account, and annually the balance to the debit or credit of such an account will represent the surplus of receipts or deficit on the year's working on general account, as the case may be. In our working example, the following accounts are left standing in the ledger just as they appear in the Trial Balance.

Accounts Receivable
Municipal Taxes Account
" Cash Account
" Bank Account
Provincial Treasurer's Bank Account
Provincial Treasurer's Cash Account
Public Revenue Taxes Account
" " Collections Account
" " Uncollected Tax Liability
" " Commission on Collections

Wild Lands Taxes Account
" " Collections Account
" " Uncollected Tax Liability
" " Commission on Collections
Supplementary Revenues Taxes Account
" " Collections Account
" " Uncollected Tax Liability
" " Commission on Collections
Tax Sale Purchases, Municipal
Poundage Excess (until one year has expired).
Schools
Rural Telephone Companies

In order to close the ledger for the example under consideration, the following entries are necessary, and it is here expedient to make these entries through a Journal.

	Dr.	Cr.
Tax Sale Costs Account		$ 11.00
Bank Interest		1000.00
Highway Department Grants	$ 500.00	
*Wolf Bounty Grants	109.50	
Tax Sale Redemption Certificates	5.25	
Tax Certificates	2.75	
Division 1		340.00
2	510.00	
3	260.00	
4	460.00	
5	160.00	
6	10.00	
Printing, Stationery, Postage, etc.		300.00
Salaries—Secretary-Treasurer		1500.00
Assessor		300.00
Auditor		200.00
Weed Inspector		500.00
Election Expenses		75.00
Indemnity—Council		400.00
Hospital		50.00
Supervision, General Roads		100.00
Cr. to General Fund	2758.50	
	$4776.00	$4776.00

The General Fund Account in the trial balance stood at Cr. $4716.50. By the above entries it will be reduced

to $1958.00, which is the actual deficit on the operation of the Municipality for the year, if all current liabilities have been met. If they have not, and we will, without interfering with our demonstration, for the moment assume this to be the case, before closing the books, entries similar to the following should be made through the Journal.

Printing and Stationery	50.00	
Salaries	300.00	
Election Expenses	100.00	
Division 1	200.00	
2.....	300.00	
5	150.00	
6.....	275.00	
Dr. to current unpaid accounts		1375.00
	$1375.00	$1375.00

"Unpaid accounts as per list hereunder."

The list should set out who is the creditor and the purposes for which the account was created. There is no need, however, save in exceptional cases, for any liabilities on current account to exist in this form. Far better for the Treasurer to get in all accounts and make out and enter in the Cash Books cheques in payment, which can be treated as outstanding cheques until issued. New Councils should at no time be asked to pass on accounts incurred by their predecessors, and about which they can know nothing, save under exceptional circumstances.

Objection is sometimes raised to the practice of closing out divisional accounts to the General Fund at the end of the year, on the ground that over and under expenditures on divisions should be carried on to the debit or credit of the work of the succeeding year. Just why a Councillor, in the present instance, newly elected to represent Division 1, should be given an adverse balance of $340.00 whilst those newly elected in Division 3 and 5 are presented with a bonus over and above their apportionment is difficult to understand.

These divisions, whilst self-governing to a certain ex-

tent, must realize that after all they are only part of the greater whole, and that they have no rights in themselves. The Act does not appear to contemplate carrying forward end of the year balances in divisions and the Department approves of them being closed out.

The reader will notice the example shows a receipt on account of Wolf Bounty, and no expenditure, and will realize that this cannot occur in actual practice.

In the present example there are no Capital Assets to be depreciated. If, for instance, the Council owned $5000 of road grading equipment, which had previously been bought out of current funds, depreciation should be provided proportionately to the estimated life of the Asset. One-seventh should be written off such an asset as this annually, and charged to the General Fund by the following Journal entry:

General Fund ....$	714.50	
Dr. to Roadgrading Equipment ..		714.50
Depreciation for year.		

Where, however, assets are bought from Debenture proceeds the amount of the annual repayment should fix the amount of annual depreciation as previously explained.

The final closing entry should be the transfer of the balance to the credit of General Fund to the "Surplus or Deficit" account of the Municipality, thus:

General Fund ....$	1958.00	
Dr. to Surplus		$1958.00

The Trial Balance of the Ledger will now be as follows, which will be the actual balance sheet of the Municipality. This will in the present case be taken off as a Balance Sheet.

ASSETS:		
Cash on hand, Municipal	$157.48	
Provincial Treasurer	244.04	
		401.52
Bank Balance, Prov. Treasurer..		1606.28
Uncollected Taxes, Municipal	10878.91	
Uncol. Taxes, Public Revenues ..	510.70	

Uncol. Taxes, Wild Lands	442.79		
Uncol. Taxes, Sup. Revenue	266.96		
			12099.36
Provincial Treasurer, Commissions on Pub. Revenues Collections..	36.49		
Wild Lands Collections	27.60		
Supplementary Rev. Collections	45.53		
			111.62
Accounts Receivable			157.12
Tax Sale Purchases, Municipal Account			214.85
LIABILITIES:			
Bank Overdraft		7521.87	
Prov. Treasurer, on Uncollected Taxes:			
Wild Lands.....		655.20	
Public Revenues		323.80	
Supplementary Revenues		9.01	
Prov. Treasurer, on Uncollected Taxes:			
Public Revenues		510.70	
Wild Lands		442.79	
Supplementary Revenues		266.96	
Schools as per details		935.00	
Rural Telephone Companies as per details		1000.00	
Poundage Excess		24.90	
Surplus Assets Over Liabilities .		2900.52	
		$14590.75	$14590.75

In the above Balance Sheet we find that the third and seventh conditions of corrections laid down on page 73 have not been complied with—purposely, so as to show the importance of locating the discrepancy. As a matter of fact, the recording of Government Taxes at Tax Sale was not completed. The collection account on each of the three taxes is more than the Bank and Cash, as the Municipality has not been paid over from Tax Sale, the moneys received for Government purposes. When this has been done the statement will be correct.

The statement of receipts and expenditures can now be taken from the ledger direct. The only variation from ledger figures will be the outstanding cheques, which information will be found in the Cash Book.

CHAPTER VI.

AUDIT

Councils are prone to consider their auditor as a very secondary official in point of importance, but this should not be, for the auditor *can* be of very great service to a municipality in pointing out errors of financial policy, if the right man is selected. This raises the question as to what is a "right man." It is not necessary that he should be a chartered accountant, although, of course, where possible, it is preferable that a member of that profession should be engaged, if only for the experience he will bring with him from other municipalities, but it *is* necessary that he should have a thorough knowledge of double entry bookkeeping, far beyond the knowledge required to keep customers' accounts in a general store, and it is unfortunate that many councils look upon a man able to keep such accounts as a good auditor, which is often very far from being the case.

Nor should councils employ men whose sole idea is to see that the treasurer does not get away with the municipal cash. The writer was once called in to investigate the affairs of a municipality where the councillors were advised by the annual statement that there was a sum of about $5,000 unexpended in the divisions, and they had consequently added the current apportionments of taxes of these unexpended balances and gone on spending right and left till the bank stopped their credit. This could not be understood, and in consequence the writer was asked to make an investigation. Seventy per cent. of the ratepayers were given wrong standing in the tax roll, and there were endless errors in the ledger, which led to the unhappiness then general. When interviewing the local auditor for an explanation of some of these things, this gentleman inquired if the

cash was all right. On being informed that so far as could be seen, it was, he was positively relieved, and said he did not care so long as the cash was all right, but that the ex-secretary must be interviewed respecting the bookkeeping errors, as he did not know anything about them. It would have been better if, in this case, the books had not been audited at all.

The office is a very ancient and honourable one, the first mention thereof known being in 1299, when the records of the city of London show they possessed an auditor.

Shakespeare, in "Timon of Athens" makes Flavius say:

> If you suspect my husbandry, or falsehood,
> Call me before th' exactest auditors,
> And set me on the proof.

The powers of auditors in Saskatchewan are very different from the powers of the auditors in the City of Dublin in 1599 (auditors of the city of Dublin have existed since 1452.) Mr. F. W. Pixley is authority for saying that the following is part of an order by them "requiring Messieurs "Nicholas Umrrey and Michael Pentney to deliver silver "pawns to the value of six score and eight pounds, eleven "shillings, seven pence, (cxxviijl xjs vijd) which they do "now owe, failing which they order the bodies of the debt-"ors to the gaol of Tholsell in the same city, there to remain "until they do pay and satisfy the said debt to the treas-"ury of this city."

A thirteenth century *manuscript*, Sir Walter of Henley's "Tretyce of Husbandry," which has been reprinted by the Royal Historical Society, contains a statement of the qualifications which can hardly be improved upon at the present day.

"The auditors ought to be faithful and prudent, know-"ing their business, and all the points and articles of the "accounts and other things belonging thereto. And the "accounts ought to be heard in such manner that one can "know the profit and loss. * * * It is not necessary to "speak to the auditors about making audit, for they ought

"to be so knowing in their business that they have no need "of other teaching about things connected with the account."

The derivation of the word "audit" is undoubtedly Latin, and originally auditors used to "hear" accounts. Today, of course, auditors know that they must "see" not only the accounts, but everything leading up to them.

Having seen what is essential in the matter of qualifications for the making of a good auditor, let us discuss his duties and responsibilities.

Primarily, the manner in which auditors are selected for municipal work in the Dominion of Canada today is theoretically wrong. It is the duty of an auditor to see not only that the treasurer is fulfilling his duties in a satisfactory manner from his (the auditor's) point of view, but it is his duty to see that the council is also doing what is right from a financial standpoint, and thus he is in a manner under obligation to criticise the council if need be. Yet the council is the only body which has power to appoint him, which is, as previously said, theoretically wrong. The auditor is the final financial examiner for the ratepayers, whose money is under observation, and they are the logical parties to appoint the auditor. But this would never work satisfactorily in this western country, so present means of appointing auditors must be followed until the Department finds a more satisfactory scheme.

Coming down to the details of the work of an auditor: the first duty on appointment, whether annual or special, is to take the oath prescribed by section 158 of the Act, which is as follows:

158. The declaration of office to be made and subscribed by every Auditor shall be as follows:

I, A. B., having been appointed to the office of Auditor for the Rural Municipality of .....No. ..... do hereby promise and declare that I will faithfully perform the duties of the said office according to the best of my judgment and ability, and I do solemnly declare that I have not directly or indirectly any share or interest whatever in any contract

or employment (except that of auditor) with, by or on behalf of the municipality. So help me God.

Made before me at .....
this ..... day of ....., 19..
.....
A Com., N.P., or J.P.

R. S. S. 1909, c. 87, s. 186.

Section 156 of the Act gives details of the Auditor's duties in respect to the Financial Statement, as follows:

1. "On or before the fifteenth day of November in each year the Auditor shall prepare, in such form as the minister may direct, an abstract of the receipts and disbursements, including divisional expenditures, of the municipality for the ten months ending on the preceding thirty-first day of October."

2. The auditor shall, on or before the fifteenth day of November, supply a copy of such abstract to each Councillor, who shall retain the same at least until the end of the year at his residence, where it shall be open for inspection at all reasonable hours by any elector. The auditor shall also supply a copy of such abstract to the returning officer, who shall read the same at the nomination meeting.

3. The auditor shall, when he finds any negligence, irregularity or discrepancy in the books or accounts of the municipality, forthwith notify the Reeve and all the Councillors of such negligence, irregularity or discrepancy.

Note.—Sections 1 and 2 are now repealed.

At the end of the year the auditor has to complete the Annual Statement in full as set out in section 157 of the Act:

3. On or before the first day of March in each year, the auditor shall prepare in such form as the minister may direct an abstract of the receipts, expenditures, assets and liabilities of the municipality for the financial year ending on the thirty-first day of December of the preceding year, including a statement showing the total amount of debentures authorized to be issued, the debentures actually issued, those actually sold or otherwise and how disposed of, and those remaining on hand; he shall make a special report respecting any expenditures made contrary to law; he shall deliver the said abstract and report to the Reeve, who shall lay the same before the Council at its next meeting; and the Secretary, on or before the 1st day of April in each year shall mail a copy of such abstract and report

to the Minister and to every elector of the municipality. R.S.S. 1909, c. 87, s. 184; 190-1911, c. 21, s. 11.

To a certain extent, continuity of audit is a good thing, so long as the auditor realises his responsibility and discharges his duties thoroughly. When this is not the case, a change cannot come too quickly. The pity of it is that auditors take so many chances and sign Balance Sheets without being fully seized of the accuracy of the work leading up to them, and in this connection it is the more regrettable that even chartered accountants have been and are guilty in this respect, thereby betraying the confidence of the Department, which strongly recommends C.A. auditors.

The only restriction in the appointment of auditors is now found in section 155 of the Act, which reads:

1. No one who at the time the appointment is made, or during the preceding year, is or was a member of the Council, or is or was Secretary or Treasurer, or who had directly or indirectly any share or interest in any contract made by the municipality or who is employed by the municipality in any capacity except that of auditor, shall be the appointed auditor.

2. The Council may appoint any incorporated company or partnership as auditor.

It would be well if the Government could see its way to strike out "any incorporated company or" from the last subsection.

A departmental regulation requires that "when preparing the annual financial statement, the auditor of the municipality shall examine the duplicates of the receipts that have been issued and the unused blank receipts on hand at the end of the previous year, and shall certify to the numbers used and numbers unused, and insert the information in the annual financial statement in the space provided for the purpose."

Section 158a provides:

160. "The auditor shall send, by post, prepaid, to every person named in the tax roll whose taxes appear to be in arrear, a notice, in form to be prescribed by the Minister, setting forth the amount of the unpaid taxes shown in the roll against each parcel of land standing in the name of such person; provided

that the Minister may, in any given case, dispense with the requirements of this section.

Truly wise legislation. The honest treasurer will welcome these provisions, and the dishonest ones cannot help but be weeded out.

During the winter of 1917-1918, in five of the rural municipal audits performed by the writer's firm, shortages of a serious nature occurred. In two of these the treasurer had sent taxpayers receipts from a "phony" receipt book, and had not accounted for the cash. In one case the shortage was very large and was only discovered by the flight of the treasurer, subsequent to enquiry as to why lands were allowed to be three of four years in arrears of taxes, all of which were owned by absentees. Letters sent to the owners brought forth the "phony" receipts. Such things cannot be done from now on, as the issue of receipts is controlled by the Department, and the section quoted above will reveal any such discrepancies annually.

The work to be performed by the auditor is fairly well set forth in the bulletin issued annually by the Department of Municipal Affairs, and although they may be amplified, if the work outlined is performed, the municipality will be receiving fairly adequate protection. The bulletin referred to is here reproduced.

1. Compare the annual statement for the previous year with the ledger and note any discrepancies therein found.

2. Inspect oaths of office of the council and secretary treasurer or treasurer and the bond for the latter.

3. Read carefully through the minute book and make note of anything which would have special bearing on the audit.

4. See that all properly assessable lands appear in the roll.

5. See that arrears are brought from the old to the new tax roll correctly and that the total agrees with the balance shown in the ledger after penalties have been added.

6. See that penalties are correctly added to arrears of taxes brought forward from the previous year.

7. See that all cancellations shown in the roll during the year are duly authorised by the council.

8. Verify additions of tax roll totals and postings to ledger of same.

9. Check details of each tax receipt issued to tax roll and see that amount paid is applied on lands shown on receipt. Verify in some adequate manner that all receipts on hand at the beginning of the year, and all receipts purchased since, have been accounted for.

10. Check tax receipts in cash book, verifying the distributions thereof.

11. Check additions of tax receipts entered in cash book and verify totals with corresponding footings in tax roll.

12. Verify entries of all sundry receipts, including tax certificate fees, in cash book, and check totals of each cash book column to ledger.

13. Audit all cheques and other bank book charges into the expenditure cash book and see that the council has authorized every expenditure. Verify roadwork expenditure in addition to above by checking payments from payrolls or time books. All notes, coupons or sundry accounts paid must be supported by the original document covering the debt cancelled and must be inspected by the auditor. Outstanding cheques must be verified by reconciliation of passbook and bank account in ledger.

14. Check additions of expenditure book and verify postings of all expenditures into ledger and see that the proper accounts are debited.

15. Obtain inventories of all assets, apart from those which can be verified by the ledger accounts, i.e., real estate, machinery, buildings, etc., and see that proper entries are made bringing such assets to their present value, recognising any depreciation or reduction in value.

16. Verify trial balance of ledger and audit cash up to date, so that amount on hand at end of year be verified as shown by ledger.

17. Compile two copies of financial statements as at October 31 and three as at December 31.

18. Where books have not been kept properly, see or communicate with the reeve and get instructions with respect to having the books put in shape.

19. Report in full and impartially to the council upon all matters which in the opinion of the auditor were in any way improper, whether simply errors of principle, errors in bookkeeping, or expenditures contrary to law. These reports should be made at least twice during the period, i.e., after October 31 and after December 31.

The auditor should, in addition to the work outlined in the bulletin:

Prove the cash from the end of the financial period under audit to the date of audit by actual count where necessary.

See that all Wild Lands Tax cancellations have been authorized by the Wild Lands Tax Commissioner.

Prove the correctness of the Balance Sheet by means of the suggestions given on page 59.

All the foregoing assumes that the books have been kept intelligently by the secretary treasurer in accordance with the scheme provided. Where this is not the case, matters must be largely left to the general common sense and experience of the auditor to see that the books are so made. An auditor cannot certify to a statement with which the books are not in absolute agreement because by doing so he runs a very great personal risk.

If only councils would realize the amount of work necessary to conduct a proper audit of rural municipal books they would discontinue the practice of hiring men to do the work at 25 percent. of what it is worth. No audit can be looked upon as complete unless everything set out in this chapter is done, and done thoroughly, and to expect this amount of work to be done for $30 or $15 for each audit prescribed is farcical.

Councils are wise when they insist upon at least four examinations of their affairs each year, for errors are much more easily rectified if discovered soon after their commission than at a later date. The following extract from a

British Treasury minute dated June 16, 1848, may be a fitting conclusion to this chapter, as its intent and meaning applies to every municipality in Saskatchewan:

"My Lords of the Treasury do not understand on what "grounds so much delay can have occurred in rendering "these accounts, it being the first duty of an accountant to "submit for audit, in a regular and punctual manner, his "account of the expenditure of the public moneys entrust-"ed to him; and if this rule is not strictly enforced, the "great advantage of an audit is lost, and it becomes im-"possible to exercise by means of it, an effectual check over "the Public Expenditure."

CHAPTER VII.

SPECIAL FEATURES

It being admitted that the skeleton specimen of municipal work omits many salient features, it is now proposed to take some of these, and explain how they should be treated.

The most important of these is the Hail Tax, which about one-third of the municipalities in the Province levy.

HAIL TAXES. The Hail Association Directorate is elected by the delegates of those municipalities coming under the plan, to manage the Municipal Hail Insurance Scheme for the year. Each municipality decides by vote of the electors whether it wants hail insurance under the plan, and when so decided in the affirmative it remains under the scheme until a vote of the ratepayers again decides upon withdrawal therefrom.

The Act under which the Association operates provides for a flat rate per acre on lands assessable. Which lands are assessable and which are not, are a matter of detail which does not affect the general bookkeeping of the municipality, nor the work expected to be covered in this book. Later in the season, the Association may, if the losses it is called upon to pay for are in excess of its estimated revenues from the flat rate per acre, levy a special excess rate on the lands liable to assessment, sufficient to enable it to meet its claims.

Primarily, the tax roll is then affected, for this special rate has to be entered in a column for that purpose, against all lands liable. When this has been totalled it should be charged to the Municipal Tax account, and credited to the Hail Association.

If the municipality is able to pay the Association in full by November 15th in each year, no further alteration is

needed in the ledger, but if it cannot, considerable extra work is entailed for it is necessary to find out exactly what the unpaid hail taxes at October 31st are, and to open a special account in the ledger for them, due to the fact that the treasurer is compelled to remit all hail taxes collected to that date to the Association promptly, and to keep all future receipts separate from municipal receipts in a special Bank account known as Hail Tax Trust account.

Taking a hypothetical case, assuming 172 quarter sections are unpaid at October 31st, and that the uncollected taxes are $2400. The following entries are necessary in the ledger in order to comply with the law.

Nov. 1 Hail Tax $2400.00
Dr. to Municipal Tax $2400.00
Arrears of taxes Oct. 31, transferred to former account from Municipal Taxes.

The liability of the municipality to the Association is not affected up to this point.

As previously explained, on Nov. 1 a penalty of $1 per quarter section is sustained by each quarter section in arrears for Hail Tax at that date. Therefore as these penalties now belong to the Commission it is necessary to increase the Hail Tax and the liability to the Association by their amount, thus:

Hail Tax ....$ 172.00
Dr. to Hail Tax Association $172.00
$1 per quarter section penalty added November 1.

From time to time the Treasurer will remit to the Association all amounts received on their account by means of cheques upon the Trust account, and from then on the bookkeeping is identical with that of any of the three Government taxes.

DRAINAGE TAXES. These refer to taxes under Drainage Schemes undertaken by the Department of Highways, which fixes the annual charge to be made for the work for each piece of land affected. The charge is made in the Tax Roll, and the tax is kept separate from other taxes, in that it is known as an "indirect liability" being payable

only as collected by the municipality. Therefore the bookkeeping is identical with that required for any of the three regular Government taxes.

REDEMPTION OF LAND FROM TAX SALE BY MUNICIPALITY. It sometimes happens that the municipality is required to perform this operation owing to some fault in procedure and for other reasons. In such cases the municipality must issue a cheque in its own favor if it was the tax sale purchaser, and in favor of the individual tax sale purchaser if other than the municipality. If the cheque is issued in favor of the municipality, care must be taken to issue a receipt for the full amount, and still greater care must be taken in putting the necessary entries through the ledger.

First—the receipt—less penalty—is credited to Tax Sale Purchases, municipal, the penalty being credited to the account of that name.

Second—a special account must be opened, to which the full amount of the cheque must be charged.

Third—The taxes—excluding penalties—must be recharged in the tax roll, as municipal taxes.

Fourth—The municipal tax account must be debited and the special account mentioned in the second paragraph credited with the amount of taxes only. This will leave a balance to the debit of the special account referred to, representing the penalty which represents the loss of the municipality on the transaction, which will be closed out at the end of the year.

Theoretically, fault may be found with this procedure on the ground that the Provincial taxes are not recharged. This is quite true, but as the Provincial Treasurer has most probably been paid in full, and the necessary adjustments as to collections and liability on uncollected taxes made at the time of the Tax Sale, complication and possible confusion is avoided by the practical method suggested, and no one is unfairly dealt with.

PAYMENT OF PROVINCIAL TAXES IN FULL AT THE END OF EACH YEAR. Whilst councils are only expected to pay over funds actually collected, many of them pay the Government in full at the end of each year. The accounting where this is done is only affected insofar as the penalties on uncollected taxes belong to the municipality. The various taxes are therefore charged with the amounts of penalties accruing on January 1st, in each year, just the same as if the Government had not been paid, but instead of crediting the various liabilities for uncollected taxes with the amounts thereof, they are credited to the General Fund of the municipality.

INTEREST ON SCHOOL LOANS. This feature often causes serious trouble, owing to incomplete understanding of how the transactions should be recorded. If the municipality pays interest on money borrowed to finance Rural Schools, it is in reality only paying out money on behalf of the schools. Consequently the amount of interest thus paid should be transferred from the School Loans Interest account to the debit of the liability to the Schools pro rata to the amount borrowed for each school. In the financial statement, therefore, the interest should be shown as a payment to the schools in the place in the Financial Statement provided for this purpose marked "charged out to schools." The majority of municipalities, however, treat such expenditures as a municipal expense.

RIGHT OF WAY PURCHASED. Normally this would be considered to be correctly displayed if the amount expended was shown as an asset. This course is not recommended owing to the fact that the municipality nominally turns over its acquisition to the Crown, as the titles to all highways is vested in the King.

SPECIMEN LEDGER PAGE

DIVISION I.

		Roads		Bridges		Culverts		Tools and Machine		Destruction of Weeds on Roads.		Council Supervision of Work		Sundry		Total					
1914		$	c.	$	c.	$	c.	$	c.	$	c.	$	c.	$	c.	$	c.	1914		$	c
May 31	To Cash	302	00	..	..	100	00	50	00	32	00	..	..	..	..	484	00	Mar. 31	By Apportionment	2130	00
June 30	" "	536	00	..	..	..	..	..	..	70	00	..	..	..	..	606	00				
July 31	" "	708	00	..	..	..	..	..	..	..	..	..	..	..	..	708	00				
Aug. 31	" "	250	00	105	00	..	..	30	00	100	00	..	..	..	..	485	00				
Sep. 30	" "	..	..	..	..	..	..	..	..	..	..	60	00	..	..	60	00				
Oct. 31	" "	109	00	65	00	73	00	..	..	..	..	..	..	..	..	247	00		Balance	460	00
		1905	00	170	00	173	00	80	00	202	00	60	00	..	..	2590	00			2590	00
	To Balance	..	..	..	..	..	..	..	..	..	..	..	..	..	..	460	00				

N.B.—The reader will notice that no Government Grant Work is shown through these accounts. If a certain Government Grant is placed under the charge of the councillor for any one division, it still should be looked upon as General Road Work. Divisional Expenditure made out of Debenture Funds will require the opening of a special account.

At the end of the year unpaid accounts should be added and credited to a liability account apened specially therefor.

SPECIMEN LEDGER ACCOUNTS.

PUBLIC REVENUES. TAX ACCOUNT

			Taxes	Penalty	Cash	Tax Sale	Cancellations	Balance
1919			$ c.	$ c.	$ c.	$ c.	$ c.	$ c.
Dec.	31	To Balance						Dr. 1000 00
1920								
Jan.	1	" Penalties		80 00				Dr. 1080 00
"	31	By Cash			110 00			Dr. 970 00
Feb.	28	" "			200 00			Dr. 770 00
"	28	" Cancellations					6 40	Dr 763 60
Oct.	1	To Levy	2000 00					Dr. 2763 60
"	31	By Tax Sale				763 60		Dr. 2000 00
"	31	" Cash			1000 00			Dr. 1000 00
Dec.	31	" "			500 00			Dr. 500 00

PUBLIC REVENUES

UNCOLLECTED TAX LIABILITY ACCOUNT.

			Taxes	Penalty	Cash	Tax Sale	Cancellations	Balance
1919			$ c.	$ c.	$ c.	$ c.	$ c.	$ c.
Dec.	31	By Balance						Cr. 1000 00
1920								
Jan.	1	By Penalties		80 00				Cr. 1080 00
"	31	To Collections Account			110 00			Cr. 970 00
Feb.	28	" Collections Account			200 00			Cr. 770 00
"	28	" Cancellations					6 40	Cr. 763 60
Oct.	1	By Levy	2000 00					Cr. 2763 60
"	31	To Tax Sale				763 60		Cr. 2000 00
"	31	" Collections Account			1000 00			Cr. 1000 00
Dec.	31	" Collections Account			500 00			Cr. 500 00

PUBLIC REVENUES.

LIABILITY ON COLLECTIONS ACCOUNT.

			Remitted	Tax Collections	Tax Sale Collections	Balance
1920			$ c.	$ c.	$ c.	$ c.
Jan.	31	By Taxes Collected		110 00		110 00
Feb.	1	To Remittances	110 00			Nil
"	28	By Taxes Collected		200 00		200 00
Mar.	1	To Remittances	200 00			Nil
Oct.	31	By Taxes Collected		1000 00		1000 00
"	31	" Tax Sale Collections			763 60	1763 60
Nov.	1	To Remittances	1763 60			Nil
Dec.	31	By Taxes Collected		500 00		Cr. 500 00

PART II

CHAPTER I.

HOSPITAL ACCOUNTING

Municipal hospitals are becoming more and more common in the West, and are a problem that has to be confronted, more especially in the newer districts of our fair Province.

The need for hospital accommodation is so great in these districts that the value of an hospital cannot be measured in dollars and cents, and consequently the communities benefitted must look at the matter in a broad way and foot cheerfully whatever bills are presented to them for hospitals.

In considering hospital finances and accounting, we had better see how funds can be obtained for the erection and equipment of a municipal hospital.

In a small hospital, the treasurer has not enough to do to enable the directors or commissioners to appoint a man to give his whole time to the work, and as this work is intended for beginners principally, we will assume that the treasurer has an office of his own and that the hospital work is a side line for him.

This will to a certain extent lead to a duplication of the work, as where a treasurer works actually at the hospital, he is brought into contact with the patient and is able to arrange settlements, but where his office is away from the hospital this work devolves upon the matron or lady superintendent, where there is no regular medical superintendent, who would ordinarily perform this duty.

And a very important duty it is, for experience teaches that patients' accounts are very hard to collect once the patient gets away from the hospital. Profuseness of gratitude to the hospital is best expressed in the settlement of patients' accounts.

The same applies to incoming hospital revenue as to revenue for other business—it must be carefully watched, and it can be best looked after by means of a good system, which it is the intention of this chapter to attempt to outline.

The first essential in such a system is a good patients' record, which should be on the columnar system, of which the specimen on the next page is an example.

Additional information may be required, such as employer's name, and address, guarantor, etc., but medical details should be kept in a separate book.

Where the secretary treasurer does not work in the building, it is advisable that the accounts should be made out in triplicate, of which the original should be given to the patient, the duplicate sent to the treasurer (when payment is not made at time of discharge) and the third copy kept in the superintendent's office at the hospital.

Where Union Hospitals are in operation many of the forms will require modification or alteration to suit their particular needs, as for instance, instead of a "payments" column, it might be necessary to substitute columns providing for the charging of accounts to constituent municipalities. As, however, there are more non-union hospitals than union hospitals, and as it is anticipated that this work may be used in many parts of the Dominion, it will take the broader aspect.

A weekly or monthly statement of patients and their accounts should be furnished to the treasurer, whose natural duty it is to lay same before his board of directors or commissioners.

But we are rather putting the cart before the horse, and have not discussed as yet how to finance the hospital on maintenance account until some revenue from patients begins to flow into the exchequer.

It is usually advisable to obtain an advance from the town council for this purpose, unless the hospital board acquired power to borrow for current expenses on its own account.

BLANK HOSPITAL—PATIENTS' RECORD

No.	Name	Address	Date Admt'd	Date Disc'gd	Ward	Rate	Days	Amount	Extras	Payments	Remarks

Then provision is made whereby aid may be granted by surrounding municipalities, who, as a rule, are very glad to assist in providing a lasting benefit for themselves at small outlay.

The Government grant is a very generous one, excepting where infectious cases are concerned. It is fifty cents per diem for every patient treated, whether paying or non-paying. The only possible objection to be raised on this score is that infectious cases cost hospitals twice as much to treat as ordinary cases, yet no additional government grant is available, although by government regulations it is complusory for hospitals to make provision for the treatment of infectious cases, and further, hospitals have to reserve one-tenth of their bed space for tubercular patients. Half-yearly a complete individual report as to patients has to be submitted by the Treasurer to the government for payment of the government grant. This is easily obtainable from the patients' reports sent in to him by the superintendent.

Annually, a cash statement has also to be submitted, on a form provided by the Department.

Two other books of record bearing on the finances of the hospital should be kept at the hospital, the one a stock book, wherein a complete priced inventory of all goods coming into the hospital should be entered, and in which the annual stocktaking can be summarised, so as to show the quantities of goods required annually in the hospital. This, whilst varying a little, will furnish an excellent basis upon which to call for tenders for supplies. This book is an ordinary stock book, columnar in design, but ruled to suit the requirements of hospital work.

The other is a record of the engagement of the hospital staff, vacations, etc.

We now come to the Treasurer's books of account.

These comprise:

Cash book.

Journal.

Account register.

Ledger.

For enlightenment, we had better examine the statement required by the Bureau of Public Health as to what is required to be kept in the way of accounts.

The headings given in the cash statement are:

RECEIPTS

Balance on hand.
Provincial government grants.
Dominion government grants.
Cash donations from residents in province.
Cash donations from residents outside province.
Patients' fees received.
Outside nursing.
Hospital tickets.
Proceeds of notes or loans.
Proceeds of mortgage.
Miscellaneous.

The only item requiring explanation here is "Hospital tickets." These are sold to anyone not owning property, at a fixed sum, usually $5, which guarantees the holder a term (usually a month) of free nursing and board at the hospital.

On the expenditures side the headings are:

Amount spent on buildings during year.

Amount spent on instruments, furnishings and appliances.

Salaries (nurses and other help.)
Drugs and dressings.
Fuel, light and water.
Groceries, meat and other provisions.
Insurance.
Printing and Stationery.
Postage and telegrams.
Interest on mortgages.
Interest on temporary loans.
Repayment of mortgages.
Miscellaneous.

These classifications are practically complete, and we will see how to take care of them in the books.

The first desideratum is a columnar or dissected cash book, with headings as called for in the above, and a total column on each side of the book, with which the dissections should agree.

There should also, on the debit or receipts side of the cash book, be a column for deposits, and on the credit or payments side, a column for bank balances, which would be operated on exactly the same lines as similar columns in the scheme for rural municipalities, and also in the cash book prescribed for towns, which have previously been described in this work.

Postings to the ledger from this book are made in precisely the same manner as has been explained for Rural Municipalities, receipts being credited to their various accounts and debited to cash account, and expenditures debited to their respective accounts in the ledger and credited to the bank account—deposits being a debit to the latter.

For the time being we will leave this part of the accounting, and devote a little time to the patients' accounts, for which a special book is necessary.

This book should be so ruled as to show details of the patients' accounts; when they were first rendered; for which notes have been taken; which of them are a charge to Municipalities; when the Municipalities were notified, and when demand for payment was made. A card index may be used for this purpose, but the average accountant would be in favor of a bound book.

All accounts should be entered in this book month by month, and from it should be taken the monthly earnings. For example:

24 days private wards at $3 .....$	372.00
240 days semi-private wards at $2.....	480.00
320 days public wards at $1.50	480.00
Operations, 18 at $10	180.00
	$1512.00

This total should be debited to an account in the ledger called outstanding accounts, and credited to earnings, and all payments should be credited from the cash book to the former account.

It goes without saying that a large percentage of hospital accounts will be uncollectable, and as soon as this is ascertained in respect of any particular account, it should be written off, viz., credited to accounts receivable, and debited either to Revenue or to a special account called "Bad Debts." In Union Hospital districts the loss on patients accounts is reduced to a minimum by the legislation which arranges so nicely that the Municipalities shall be responsible, but the loss from this source in the larger urban centres is appalling. Some means should be devised whereby this loss should be removed from the larger cities, which, by reason of the fact that their Hospital equipment being fully modern and in many instances far superior to that of the country hospitals, attracts cases from the outside territory, which does nothing in the way of support for the Hospital, and is very often productive of a large proportion of the bad debts incurred.

At the end of the year a very heavy reserve on this account should be created for doubtful accounts, even in the case of patients that are classed as "good."

It is further advisable that the patients' accounts record should be so designed as to enable payments on accounts incurred during the current year to be distinguished from those on accounts of previous years. By so doing, the authorities are enabled to gauge pretty accurately what percentage of earnings in the shape of accounts goes into arrears; very valuable information for statistical purposes.

Explanation has now been given of the manner in which all entries are transferred from the books of original entry to the ledger, and for the better enlightenment of the reader, a complete set of the transactions of a hospital for a year are given below and on the succeeding pages:

ATKINSON HOSPITAL.

Treasurer's Cash Statement, 1920, as per Cash Book.

RECEIPTS:		
Patients' fees		$ 4268.30
Government grants		1458.50
Council grants		1875.00
Donations, maintenance account		186.95
Donations, buildings		2328.75
EXPENDITURES:		
Overdraft, January 1st, 1913	$ 1359.86	
Salaries	2793.35	
Provisions	1527.47	
Light and Water	255.44	
Fuel	799.18	
General expense and repairs	671.17	
Drugs and dressings	453.70	
Bank interest and discount	110.70	
Mortgage interest	240.00	
Insurance	198.00	
Buildings, new	2267.03	
Equipment, new	348.00	
Overdraft, December 31, 1913		906.40
	$11,023.90	$11023.90

Trial Balance of Ledger Before Closing:

	Dr.	Cr.
Patients' fees accounts	$ 3231.70	
Donations, maintenance account		$ 186.95
Donations, building fund		2328.75
Council grants		1875.00
Bank		906.40
Government grants account		844.00
Real estate and buildings	15385.96	
Equipment	3054.98	
Mortgage interest	240.00	
Mortgage principal		3,000.00
Salaries	2793.35	
General expense and repairs	671.17	
Provisions	1527.47	
Drugs and dressings	453.70	
Light and water	255.44	
Fuel	799.18	
Insurance	198.00	

Interest and discount	110.70	
Current earnings		5000.00
Surplus or deficit account		14580.55
	$28,721.65	$28,721.65

The insurance was placed at the beginning of the year of which $60 is for the current year, when it is assumed that there were no supplies in stock, but that there was a government grant of $614.50 accruing for the previous half year. The inventories at the end of the year show that the following supplies were on hand.

Provisions	$ 167.07
Drugs and dressings	104.20
Fuel	260.00

Salaries for December, 1920, are unpaid, and amount to $196, whilst the following amounts were owing for goods purchased:

Provisions	$ 124.50
Drugs and dressings	72.25
Fuel	230.00

The accruing government grant was $1,011.50. Depreciation is to be written off the buildings as at $600 and off equipment $125, whilst the directors have ordered $1,500 written off patients' accounts receivable.

The following shows the entries in the journal requisite to the closing of the books, and the standing of the ledger after closing:

JOURNAL.

	Dr.	Cr.
Government of Saskatchewan	$ 1011.50	
Maintenance account		$1011.50
Grant earned for second half year, but not paid		
Real estate and buildings		600.00
Equipment		125.00
Maintenance account	725.00	
Depreciation provided as per directors' instructions.		

Provisions	124.50	
Drugs and Dressings	72.25	
Fuel	230.00	
Salaries	196.00	
Sundry liabilities		622.75
Liabilities for goods purchased, not paid for.		
Patients' fees accounts		1500.00
Maintenance Account	1500.00	
Reserve for bad debts as per director's instructions.		
Donations account	186.95	
Council grants account	1875.00	
Government grants account	844.00	
Current earnings account	5000.00	
Maintenance account		7905.95
General expense and repairs account		671.17
Provisions account		1484.90
Salaries account		2989.35
Drugs and dressings account		421.70
Light and water account		255.44
Fuel account		769.18
Insurance account		63.00
Bank interest account		110.70
Mortgage account		240.00
Maintenance account	7055.44	
Closing entries for year.		

The ledger accounts for donations, council grants, government grants, salaries, general expense and repairs, light and water, interest and discount, and mortgage interest will thus be balanced and ruled off. The other ledger accounts will then appear as follows:

BANK:	Dr.	Cr.		Balance
Jan. 1, 1913				
By balance		$1359.86	Cr.	$1359.86
To cash receipts	$10117.50		Dr.	8757.64
By expenditure		9664.04	Cr.	906.40
PATIENTS' FEES:				
Jan. 1, 1913				
To balance	2500.00		Dr.	2500.00
Dec. 31, 1913				
To earnings for year	5000.00		Dr.	7500.00

By cash for year		4268.30	Dr.	3231.70
By bad debts account		1500.00	Dr.	1731.70
GOVERNMENT OF SASKATCHEWAN:				
Jan. 1, 1913				
To balance	614.50		Dr.	614.50
By cash		614.50		nil
June 30, 1913				
To grant to date	844.00		Dr.	844.00
By cash		844.00		nil
Dec. 31, 1913				
To grant to date	1011.50		Dr.	1011.50
REAL ESTATE AND BUILDINGS ACCOUNT:				
Jan. 1, 1913				
To balance	13118.93		Dr.	13118.93
To cash	2267.03		Dr.	15385.96
By depreciation		600.00	Dr.	14785.96
EQUIPMENT:				
Jan. 1, 1913				
To balance	2706.98		Dr.	2706.98
To cash	346.00		Dr.	3054.98
By depreciation		125.00	Dr.	2929.98
MORTGAGE ACCOUNT:				
Jan. 1, 1913				
By balance			Cr.	3000.00
SUNDRY LIABILITIES:				
Dec. 31, 1913				
By journal		622.75	Cr.	622.75
PROVISIONS ACCOUNT:				
Dec. 31, 1913				
To cash..	1527.47		Dr.	1527.47
To journal	124.50		Dr.	1651.97
By maintenance account .		1484.90	Dr.	167.07
DRUGS AND DRESSINGS ACCOUNT:				
Dec. 31, 1913				
To cash	453.70		Dr.	453.70
To journal	72.25		Dr.	525.95
By maintenance account .		421.75	Dr.	104.20
FUEL ACCOUNT:				
Dec. 31, 1913				
To cash	799.18		Dr.	799.18

To journal	230.00		Dr.	1029.18
By maintenance account		769.18	Dr.	260.00

INSURANCE ACCOUNT:

Dec. 31, 1913				
To cash	198.00		Dr.	198.00
By maintenance account		63.00	Dr.	135.00

SURPLUS OR DEFICIT ACCOUNT:

Dec. 31, 1913				
By balance			Cr.	14580.55
By bldg. fund donations		2328.75	Cr.	16909.30
To maintenance account	313.04		Cr.	16596.26

MAINTENANCE ACCOUNT:

By Earnings		5000.00	Cr.	5000.00
Govt. grant to July		844.00	Cr.	5844.00
Govt. grant to Dec. 31		1011.50	Cr.	6855.50
Council grants		1875.00	Cr.	8730.50
Donations		186.95	Cr.	8917.45
To Depreciation	725.00		Cr.	8192.45
Salaries	2989.35		Cr.	5203.10
Gen'l expense and repairs.	671.17		Cr.	4531.93
Provisins	1484.90		Cr.	3047.03
Drugs and dressings	421.75		Cr.	2625.28
Light and water	255.44		Sr.	2369.84
Fuel	769.18		Cr.	1600.66
Insurance	63.00		Cr.	1537.66
Bank interest and discount	110.70		Cr.	1426.96
Mortgage interest	240.00		Cr.	1186.96
Bad debts	1500.00		Dr.	313.04
By surplus or deficit		313.04		

The trial balance of the ledger can now be taken off, and is as follows:

Bank		$ 906.40
Patients' fees accounts	$ 1731.70	
Government of Saskatchewan	1011.50	
Real estate and buildings	14785.96	
Equipment	2929.98	
Mortgage		3000.00
Sundry liabilities		622.75
Provisions	167.07	
Drugs and dressings	104.20	
Fuel	260.00	

Insurance	135.00	
Surplus		16596.26
	$21,125.41	$21,125.41

This latter trial balance is a statement of the assets and liabilities of the hospital at the end of the year, and with a little classification, is the statement required for publication.

We have thus seen how all the information required for a proper balance sheet, viz.: the maintenance account, which corresponds to the profit and loss account of any mercantile institution, and the assets and liabilities statement is obtained by means of pure double entry bookkeeping, the only method which should ever be used in public finance.

CHAPTER II.

VILLAGES

Whilst Villages should in reality be treated in that section of this book devoted to the accounting of urban municipalities, they are so often found to be managed by men who are also secretaries of rural municipalities that the section dealing with rural work is probably more fitting, hence the inclusion of village work herein.

The corporation which is today known as a village in Saskatchewan is of quite recent creation. In the year 1907, the Provincial Government appointed a royal commission to report upon the whole question of municipal government in the Province. This commission was composed of two sections, the one "urban" and the other "rural."

The village, as constituted by the Village Act, which was an outcome of the report of the commission referred to, is an acknowledgement that there were then communities which were too large to be classed as hamlets, and yet which either did not want, or in other cases did not deserve, to receive town status.

These remarks are not intended to imply that there were no villages in existence prior to that time for there were several, the majority of which have reached town status since then.

The finances and records of villages require considerable attention particularly in view of the rapid growth of the West. A few years ago, when railways had not reached out as they have done since, it was impossible to foresee the future of any village. In 1904 Saskatoon, now the second city in Saskatchewan, had not even reached the dignity of a town. Today, however, it is not probable—although by no means impossible—that any village will emulate Saskatoon, yet so many villages are becoming of fair

size, that great care should be given to their municipal records.

The village is a corporate body in just the same sense as is a rural municipality (see Chapter 1, Part I), and its affairs are managed by a council of three men elected by the village at large. At the first meeting of the council, one of these three is selected—or elected—as its chairman, and this position carries as a corollary the duties of overseer.

The boundaries of the village are decided by the Department.

The overseer is given greater power than is the mayor of a town, in that he is apparently, by virtue of section 46 of the Village Act, chairman of all committees in power. To wit, the council is a conglomeration of all the committees usual in towns.

One Councillor is elected annually in villages and holds office for three years.

The financial powers of the councils of villages are naturally strictly circumscribed by legislation. They are set out very fully in the Act, and need no recapitulation.

Funds for capital can be secured by debentures subject to the approval of the Local Government Board and the electors, up to 10 percent of the total real property assessment of the village.

Funds for current expenditure until such time as the taxes can be collected are usually obtainable from the bank on terms and conditions similar to those on which municipalities obtain their funds.

Tax sales must be held annually just as in other municipalities.

Village schools must now obtain their current funds from the council, which is expected to treat the demand of the school as a direct liability, not as an indirect liability, as was the case prior to 1919. Taxes levied for school purposes prior to that date and still uncollected, are a liability of the village contingent upon collection. If the tax sale enactments of The Arrears of Taxes Act have been complied

with, there should now be no arrears prior to that date, so it is unnecessary to deal with the subject.

The "instalment" debenture is the only kind permissible for villages. Reference to the paper by Mr. Grosch at the end of the book will provide a full explanation of the merits or demerits of this form of debenture.

The remarks made as to the assessment in Chapter 1, Part 1, apply with equal force to villages.

With regard to the appointment of officers, the work of villages being comparatively small, the duties of the officers cannot be expected to be such as to warrant the employment of a man to devote his whole time exclusively to them and, consequently, some one has to be found that is willing to take from his personal affairs time to attend to the work of the village. It is a regrettable fact that many village secretary treasurers have not given either the time or attention to the affairs of the village that their office demands. On the other hand, the Province is to be congratulated upon the fact that the majority of villages possess men of sufficient public spirit to do the work thoroughly, irrespective of salary paid.

There is not much need to dwell on the qualifications for a village secretary treasurer. Any man of integrity with average education and intelligence who takes an interest in his village will make a good secretary treasurer, and fill the bill satisfactorily.

Nothing could be more simple than the books prescribed by the Department of use by villages. There are in the main scheme:

1. Combined assessment and tax roll;
2. Cash receipt book;
3. Cash expenditures book;

with the addition, of course, of the always necessary ledger.

The other books, all of which are subsidiary, are the tax sale record, debenture register, license book, dog tax record and cemetery record. All entries in connection with any of these books in the cash book must agree with the subsidiary books.

The assessment and tax roll combined is a very complete record of the relations between the village and the individual for the purposes of taxation.

When the assessment is properly entered and the tax rates struck, the total of the tax levy should be transferred to the ledger by double entries, as follows:

Debit taxes.

Credit general fund with municipal levy.

Credit school with school levy.

It is often asked how it is best to show that the double entry has been made from the tax roll. The most simple method is to put the two folios in the ledger at the foot of the column that has been posted, thus:

.....	.....
..Dr. 125..	..Cr. 1.....
.....	.....

The tax receipts as received should be entered in both the cash and in the tax roll, and proved from time to time to see that they agree. Then the monthly totals of cash should be posted, again a double entry from the cash book, debiting cash and crediting taxes.

Penalties are added in the tax roll, and again a double entry is required, debiting tax account and crediting general fund.

The bank columns in the cash book should be self-explanatory after the reader has digested the explanations given in the chapter on the cash books for rural municipalities.

Turning to the cash books and taking the receipts first: The sundry receipts are posted to the credit of the various headings under which they are received, the total being debited to cash account monthly.

The law says that all expenditures are to be by cheque, hence they can all be charged to their respective accounts in the ledger and credited to the bank direct from the cash book.

Deposits are, of course, a credit to the cash account and a debit to the bank account in the ledger.

The method of entering current loans and their repayment in the cash book is dealt with in the chapter on the expenditures cash book for rural municipalities and as the same instructions apply in this case, readers are referred to the chapter in question to avoid repetition.

The outstanding cheques system prescribed is also very simple. The amount of outstanding cheques for a month is debited to the bank and credited to outstanding cheques account. When they are paid, they are posted to the credit of the bank and debited to the outstanding cheques account, so that the balance to the debit or credit of the latter account should show the council's liability in this respect, and the ledger always depicts the balance in the bank according to the pass book.

In closing the ledger, the secretary treasurer should transfer the balances of all accounts which do not affect the assets or liabilities of the village to the general fund.

The amount to the debit or credit of this account will then represent the result of the year's operations—if the account is in debit the figure represents an under levy of taxes, which should be taken care of in the ensuing year.

Depreciation of assets must be credited to the asset itself and charged to the general fund before the balance thereof is transferred to Surplus Account if there is a credit, or left standing if there is a debit. This action may be open to criticism, but it would seem to be conservative financing, not to take credit in the ensuing year for the credit balance in General Fund unless excessive, as the margin for safe financing is usually very small in villages, and anything tending to increase this margin is in the interest of the village itself.

Tax sale work in villages is identical with that in any other municipality. This subject will be found dealt with in the rural section and may readily be referred to from the index.

The prescribed debenture register must be kept by all villages which have issued debentures. It is simple in form, and if the treasurer keeps it properly entered up, the un-

paid instalments will always equal the liability displayed in the ledger.

The question of debenture discounts has previously been dealt with, but premiums have not. It may be well to say that accountants hold varying opinions on this subject, as on many others, but the opinion of a recognized authority—MacPherson, may with advantage be reproduced.

> "Many municipalities are in the habit of issuing "debentures bearing a higher rate of interest than the "money can be obtained for. This, presumably, is "done in order that a good premium may be obtained "the officials labouring under the misconception that "the obtaining of a large premium gives the public "a more exalted idea of the excellence of credit which "the municipality enjoys in the financial world. A "careful study of the money markets at the time the "debentures are ripe for sale will enable the officials "charged with that duty to decide pretty accurately "upon the lowest rate of interest the debenture may "be made to bear, in order to find a purchaser at par. "A low rate of interest and no premium is much pre-"ferable to a large premium with a corresponding in-"crease in the interest rate. As a matter of fact, in-"vestors often take advantage of the ignorance of "officials not familiar with calculations of this char-"acter, and under the cloak of an apparently large "premium, they pay less for the debentures than if "they had been compelled to bid on an issue bearing "the current rate of interest and netting par. There "is also a greater evil than this in connection with "the question of premiums. Many councils and offic-"ials are possessed with the mistaken idea that prem-"iums of whatever sort are the common property of "the municipality. The consequence is that in the "case of local improvements, the general fund receives "the benefit of the premium while the interested prop-"erty owners pay the piper. It is obvious therefore, "that the obtaining of a premium is not always a ben-

"efit to those most immediately concerned. The "natural application of any premium or surplus aris- "ing out of any sale of debentures issued on other "than general account is toward the payment of the "first principal or interest which falls due on account "of these particular assessments against the property "holders for that particular year."

Mr. MacPherson does not say in so many words that his reasoning applies to all debentures, but it is generally admitted by economists that it should, in spite of opinions—generally held with an object—to the contrary. This view being accepted by the Department, under whose supervision villages work, how should the book entries for our second example be made? They should be put through the cash book as follows:

CASH.

	Dr.	Cr.
Debenture proceeds:		
Face value	$1,000.00	
Premium	35.00	

The amount of the debentures, $1,000, will again be posted to debenture liability account, but the premium should be posted to the credit of debenture tax account, and this will have the effect of reducing the amount to be raised during the year affected.

Village treasurers are now compelled to use the prescribed tax receipts, the numbering of which is under the control of the Department.

The duties of the auditor of the average village are very slight, but should none the less be performed thoroughly.

A summary of the receipts and expenditures can be obtained from the cash books, and their correctness proved by the cash and bank accounts in the ledger. This is not theoretically correct but it is sound in practice and affords an excellent check.

He must see that no asset is shown at more than its full value, that the supplementary books, such as the tax roll, tax sale record, license book, etc., etc., agree with the ledger,

that the receipts supplied the Treasurer are properly accounted for, that all expenditures have been passed by the council, and in short, make sure that the financial statement can be supported throughout before he signs it.

The ledger need not be closed at the end of October, but must be completed at the end of the year.

In concluding this section of the book, village officials are reminded that time is a most important factor in all municipal work, and that much trouble and annoyance will be saved if the times set forth in the Village Act for the performance of their various duties are rigidly adhered to.

CHAPTER III.

RURAL TELEPHONE COMPANIES

The growth of rural telephone lines, due to local enterprise in every case, in Canada, is nothing short of mushroomlike. Accountants have found as a rule, that local enterprise has done its share in the actual provision of funds and equipment, but that thereafter, "Let George do it" is the slogan. As a sequel, some good local man has been entrusted with the bookkeeping, and after a year or two has found himself hopelessly at sea, particularly with regard to the debentures.

It is necessary, therefore, that any book appertaining to rural municipal work should deal with the accounting of rural telephone companies, which rely upon taxes collected on their behalf by the rural municipalities in which their lines are situate.

The first step in the organisation of a rural telephone company is to secure incorporation as a limited liability or joint stock company. Special legislation has been enacted to enable this to be speedily and economically accomplished. Every person expecting to avail himself of the convenience afforded by this utility is expected to become a shareholder to the extent of at least one share for each property served. Capitalization, owing to the great borrowing powers conferred upon these companies on account of the security afforded by means of taxing powers, is ridiculously low, some companies with a debt of $40,000 being capitalized at less than $1000. As a rule, the par value of shares is either $5 or $10.

Having secured incorporation, the company comes under the provisions of The Companies Act as regards its records. It is required to keep:

a. Directors' Register.

b. Shareholders' Register.

c. Such books as will enable the profit or the loss to be ascertained.

d. Debenture Register.

The Directors' Register should be a record of the directors elected annually to carry on the affairs of the Company.

In the Shareholders' Register each shareholder should be given a heading for himself and herself, under which should be recorded:

1. Name and address.
2. Date of subscription.
3. Number of shares.
4. Payment made on shares.

These books can be obtained, specially adapted to the use of rural telephone companies, from any leading stationery house.

A journal is an indispensable adjunct to any set of Limited Liability Company books, and the first entries therein should be as follows:

Treasury stock
Dr. to Authorized capital

for the amount of capital the Company is authorized to obtain by the issue of shares.

The sale of shares proceeding, the following journal entry is necessary:

John Jones, 1 share....	10.00	
Walter Smith, 1 share	10.00	
Tom Brown, 1 share	10.00	
Subscribed capital	30.00	
Dr. to Treasury stock		30.00

in respect of the total shares sold.

An account is now opened in the share register for each subscriber, and a controlling account in the ledger under the heading, Subscribed Capital.

Payments are then made, and entered in the Cash book, thus:

Date	Name	Address	Ledger Folio	Total Receipts	Capital	Tolls	Rentals	Ledger Fo.	Sundries
Nov.1	J. Jones	23-4-2	1	10.00	10.00				
					10.00				

The payment made by Mr. Jones is posted to the Share Register through the posting column, and by means of the footing to the credit of subscribed capital in the ledger. The amount to the debit of this account at any time represents the amount of unpaid subscriptions for shares.

The next operation will probably be the issue of debentures to the amount required to build the line, after the approval of the line by the Department of Telephones, and of the local Government Board to the issue of debentures, has been secured.

Debentures may be either upon the Annuity or Instalment plan, which are dealt with in the paper by Mr. S. P. Grosch, Local Government Board Commissioner, in the appendix hereto.

The manner in which instalment bonds are worked out is generally understood but the annuity issues are a frequent cause of confusion.

A simple example is given hereunder:

"On July 1, 1920, a company issues ten debentures, aggregating $40,000, bearing 4 percent. It is arranged that the liability will be paid off in ten equal annual instalments of principal and interest. Work out the payments and draw up a schedule of same."

We must, of course, first find out what the equal annual payments will be.

$1 invested at 4 percent per annum will amount in ten years to $1.04^{10} = \$1.480244$; therefore, $0.480244 equals the final value of the interest earned in ten years on $1, so that the final value of an annuity of $1 to run ten years $\frac{0.480244}{4} \times \frac{100}{1} = \$12.0061$. The price to be paid for

an annuity of $1 for ten years will be the present value of such an annuity, thus:

$12.0061÷1.04^10=$12.0061÷1.480244=$8.1109.

The $40.000 must therefore be divided by $8.1109 in order to secure the amount of the equal payment of principal and interest, viz. $4,931.64.

Now, we know that the interest on $40.000 at 4 percent for one year is $1,600 therefore the amount of principal repaid is $4,931.64—$1,600 or $3,331.64 for the first year. In the succeeding year, we have to pay less interest by 4 percent on the amount repaid at the end of the first year. This amounts to $133.26, and consequently the principal repayment for the second year can be increased by this sum. In the third year, 4 percent on $133.26 can be added to the principal repaid and so on. The table of repayment is thus as follows:

	Equal Annual Payment	Interest Paid	Principal Repaid	Principal Owing
1909	34,931.64	$1,600.00	$3,331.64	$36,668.36
1910	4,931.64	1,466.74	3,464.90	33 203.46
1911	4,931.64	1,328.14	3,603.50	29,599.96
1912	4,931.64	1,184.00	3,747.64	25,852.32
1913	4,931.64	1,934.10	3,897.54	21.954.78
1914	4,931.64	878.19	4,053.45	17,901.33
1915	4,931.64	716.06	4,215.58	13,685.75
1916	4,931.64	547.43	4,384.21	9,301.54
1917	4,931.64	372.06	4,559.58	4,741.96
1918	4,931.64	189.68	4,741.96	Nil
	$49,316.40	$9,316.40	$40,000.00	

Rural telephone debentures generally carry 8 percent interest and are repayable in 15 years.

A table similar to that above should be worked out and entered in the debenture register of every Rural Telephone Company.

It very often happens that the date of issue is inconvenient as a base from which to calculate the annual repayment, as for instance, where bonds are issued in July, and January 1 is held to be the most convenient date for the

annual repayment. In such cases, interest is worked out on the whole amount for the first six months, and the principal repayments are not affected.

If the bonds are sold at a discount, the discount must be treated as Capital loss, and therefore as Capital expenditure.

If at a premium, the premium should be credited to Debenture Premium account in the ledger, and a moiety taken each year during the life of the bonds, toward payment. In general practice, however, as Telephone Company bookkeepers are not experienced accountants, it is advisable to use up this fund the first year.

The treasurer of the company must annually notify the treasurer of the municipality of the lands to be assessed for the repayment of debentures, and the amount required to be collected. The municipality will do the rest and provide funds to meet debenture payments as they mature.

Expenditures on construction are entered in a column in the cash book provided for that purpose, the total expenditure being also entered in the Bank column.

This feature of the bookkeeping, i.e., the recording of cash received and cheques issued, is so similar to that in other ordinary bookkeeping, that there is no need to weary the reader with it.

The ledger accounts should be:

Debenture account, into which debenture proceeds are paid, and from which capital payments are made
Current bank account.
Current cash account.
Authorized capital.
Treasury stock.
Subscribed capital.

1. Rentals.
   Tolls (long distance).
2. Sundry revenues.
   Construction (representing capital expenditure).
3. Maintenance of pole line and instruments.
4. Salaries.
5. Printing and stationery.
6. Switching charges.

7. Sundry expenditures.
8. Debenture payments.
   Debenture liability.
   Accounts receivable
   Accounts payable.

Each six months, or oftener, the treasurer should send out bills for the rent of the instruments and long distance charges.

The total should be credited to Rentals account and debited to accounts receivable, whilst long distance messages should be credited to Tolls account and charged to accounts receivable. As received, the latter account will be reduced. Payments made each month to the Government for long distance messages are charged to Tolls and this account should periodically be closed out by the rendition of accounts.

Similarly, accounts unpaid at the end of the year by the Company should be charged to the account for which they were incurred and credited to Accounts Payable.

Depreciation is provided by charging Debentures and crediting construction with the amount of principal repaid annually.

Accounts exhibited above and numbered 1 to 8 will then by means of the journal be closed to Profit and Loss. The balance at credit of this account should always represent the net worth of the Company. If at any time it exhibits a debit balance there is something wrong with the financing of the Company and the directors in the ensuing year should look for increased revenues.

The other accounts are the assets and liabilities of the Company, and with the Profit and Loss balance, with a little re-arrangement, form the actual Balance Sheet of the Company.

Auditors are reminded that as these companies operate under the Companies Act they are required to certify that all their requirements as auditors have been complied with, and that they should see that two directors sign the Balance Sheet as required by law.

CHAPTER IV.

SCHOOLS

Whilst it would appear to be a very simple matter to properly record the financial transactions of schools, it is none the less a fact that outside the cities, not one percent of the school districts of the Province of Saskatchewan possess the records necessary to enable them to take off a true balance sheet of their affairs.

Practically all of the districts keep their cash books properly but this is not sufficient. There should be a properly kept ledger for each, and the purpose of this chapter is to show how this can and should be done in a manner at once easy to understand, yet quite effective.

The headings in the dissected cashbook are:

RECEIPTS SIDE.

1. Total receipts.
2. Bank deposits.
3. Municipal taxes.
4. Government grants.
5. Proceeds of loans.
6. Pupils' fees.
7. Other sources.

EXPENDITURES SIDE

8. Total expenditures.
9. Teachers' salaries.
10. Officials' Salaries.
11. Caretaking.
12. Grounds.
13. Buildings.
15. Library.
16. Fuel, lighting, etc.
18. Debentures.
14. Furniture and Equipment.
19. Other expenditures.

Columns 3 to 7 inclusive must always agree with the total

of column 1. The difference between columns 1 and 2 should represent the amount of cash on hand, and the difference between columns 2 and 8 the bank balance, less any unpresented cheques, whilst the totals of columns 9 to 19 inclusive should agree with the total of column 8. These facts are universally understood.

Ledger accounts should be opened for each of the headings given above, excepting columns 1, 2 and 3. Column 1 should be given the heading "Cash" whilst columns 2 and 8 appear as "Bank."

Column 2 is the only one, the total of which is required to be posted twice, in order to complete the double entry system. Deposits must be posted first to the credit of cash, and again to the debit of the bank.

In order to clearly demonstrate how the assets and liabilities of a school should be properly recorded, it will be well to take a hypothetical case, in which a district is erecting a new school. It is assumed that the local Government Board has authorized the issue of $25,000 of 20-year debentures bearing 7 percent interest on the annuity plan, which are sold at 98 and accrued interest. The bonds are dated January 1st, 1920, and are delivered on May 1, 1920.

The Board will receive:

Purchase price	24,500.00
Accrued interest	583.35
	25,083.35

A journal should be brought into use, but assuming that one is not and the cash book used as a journal, total receipts should be charged with $25,583.35, distributed between debenture receipts $25.000, and in the sundry column $583.35 should be entered, and carried to the debenture payments account in the ledger. On the expenditures side, total expenditures should record $500.00, and this amount should be charged to buildings account, as the debenture discount is undoubtedly a charge to capital expenditure, and the building is the reason of the loan.

But this will throw the cash and bank accounts into er-

ror, by reason of the fact that cash has been charged $500 it did not receive and the bank credited with $500 it did not expend. This is remedied by entering $500 in bank deposit column, distinctly marked as a cash contra.

The full amount of the liability incurred is now set up, and the amount received as accrued interest is placed to the credit of the amount required to pay the 1921 (January 1) coupons on the debentures.

The annual payment required to retire the debentures will be $2,359.81. Of the first payment, $1,750 will be interest and $609.81 principal. The Board will make provision during 1920 to have this money ready to meet the coupons on the first day of the ensuing year, if it is financing its affairs properly, and the amount due on that date should appear in the financial statement at the end of 1920 as a liability. It will be recollected that $583.35 is on hand from the accrued interest received from the bond purchaser to meet this liability. Therefore, debenture payments account must be credited with $1,166.65, and the revenue account charged with this sum. The total of the debenture payments account will then be $1,750. A further entry is now necessary charging revenue with $609.81 and crediting debenture payment account with a like sum, which will bring this account to $2,359.81 or the amount required for January 1st, 1921, and when the cheque is issued it will be posted direct to this liability, which will thereby, of course, be cancelled.

But the transaction is not complete, inasmuch as the full liability under the original entry for debentures is intact. This difficulty, if such it is, is overcome by writing down the liability by $609.81 and the building by a similar amount, thereby providing scientifically for depreciation.

All treasurers know that moneys borrowed for capital must be kept separate from all other funds, and retained by them for capital expenditure only. Therefore the capital assets should at all times equal the capital liabilities. It may be asked, "But suppose the capital is overspent, how will this rule apply?" Let us suppose the school

building in this case cost $27,000. What is the standing of capital? It will be:

Asset	27,000.00	
Liability to current account		2,000.00
Liability on debentures ...		25,000.00
	27,000.00	27,000.00

This liability to current account should theoretically be wiped out by the issue of new debentures to their amount, but more often than not, it would be levied for in the taxes for the ensuing year.

On the other hand, suppose the building to have cost $23,000. What should be the standing of capital account?

ASSETS.		
Building	23,000.00	
Cash in bank	2,000.00	
LIABILITY.		25,000.00
	25,000.00	25000.00

The bank balance must be retained for future capital expenditure, or if possible, the trustees might try to buy back $2,000 of its bonds.

Assuming the entries for the year to have been made correctly as outlined, it is necessary to find out what liquid assets have not been realized. In other words, to find out how much is due the district on municipal taxes, and how much for government grants. Assuming $2000 to represent the former item and $1000 the latter, the following entries should be made in the ledger by means of the journal.

Municipal taxes receivable	2,000.00	
Government grants receivable .	1,000.00	
Dr. to current revenue		3,000.00

or, another method of performing the operation is, assuming the municipal taxes received to have been $10,000, to transfer $12,000 from this account to current revenue, leaving a debit balance of $2,000 to this account, which will represent the amount yet to be received. Similarly, if $2,000 had been received from government grants, to transfer

$3000 to current revenue, leaving a debit balance of $1000 to represent the amount earned but not received during the year.

The accounts due by the district should be set up on exactly the same principle, and displayed as accounts payable, after having been charged to the various purposes for which they were created.

The ledger will now be ready for closing.

Items 1, 2, 5 and 8 should be left intact.

Items 12, 13 and 14 must be left intact if they represent expenditure made from borrowed funds. How they should be treated if made from current funds will be explained later.

All other items should be transferred to the credit or debit of current revenue as the case may be, and the remaining balances, with the balance to the debit or credit of current revenue, which will represent the net worth of the schools, will comprise the Balance Sheet of the school district.

Much may be written of the subject of capital assets created from revenue and how such items should be treated in a Balance Sheet. For the present, however, all that is necessary is to set forth a practical scheme for schools. If the items are small, nothing need be done but wipe them out into General Revenue. If considerable, other provision should be made, and the following is suggested:

First, charge the amount expended to General Revenue. This is necessary, because funds were provided on current account for their creation.

Second, charge, say buildings—if buildings were concerned—with the amount expended, and credit a new account entitled Surplus or Deficit with the same sum. The asset is thus properly displayed, revenue has been charged and the increase in the wealth of the district has been taken care of.

Such assets should annually be depreciated according to their estimated life by means of entries crediting the asset and charging current revenue.

Any debit balance to current revenue represents an underprovision of funds which should be provided for in the ensuing year. It is good business, even though not theoretically correct, to transfer at least a portion of any credit balances annually to Surplus or Deficit account.

Probably schools are the best examples afforded of the inadequacy of the recognized system of depreciating capital assets proportionately to the life of the bonds issued for their construction, on the theory that the life of the bonds should be co-terminous with the life of the asset. If the theory worked out properly in actual practice, there would be no difficulty, but there are so many cases of buildings fully paid for, which are good for probably 100 years or more, that the subject requires a few words in order to see the best plan of dealing with the matter in the books.

Let us assume that a school costing $100,000 thirty years ago has been paid for in entirety by the repayment of bonds issued for its construction. Would it not have been wise at intervals of, say 5 years, to have ascertained the then physical value of the building? Let us assume further, that its present value is $80,000—although probably it would cost three times that sum to replace at present day prices.

The following is suggested as the best way to display this in the Balance Sheet:

At the end of ten years	
Cost of building	100,000.00
Less depreciation represented by repayments of bonds.....	30,000.00
	70,000.00
Appreciation, required to display buildings at actual value	25,000.00
Actual value of building	95,000.00

On the credit side, in the adjustment of surplus, an item should be shown offsetting the $25,000, explaining that it represents excess depreciation.

After the bonds have been fully paid.	
Buildings at present value	80,000.00

with a corresponding amount shown in the surplus account.

If some such action is not taken, the Board will often have thousands of dollars worth of good public schools in its possession, which have, under the generally accepted theory of providing depreciation, no place in the balance sheet, which as Euclid would say, "is absurd."

PART III

CHAPTER I.

SMALL TOWNS.

The design of this work is such that Volume 1 will act as a guide to what may be termed the elementary portion of Municipal bookkeeping, and that Volume 2 will form a text on the more advanced problems encountered in the larger urban centres, consequently it is advisable that the work encountered in small towns shall be covered in Volume 1.

a. *Organization*

A condition precedent to the erection of a town is the requisite population, as specified in the Act. It is almost a pity that some regulation does not exist as to the number of buildings and their value, for some proof of permanency should certainly be required.

However, this by the way, and we had better plunge into the manifold powers, duties and responsibilities of town councils and their officials. Section 8 of the Town Act says

> "The inhabitants of every town heretofore or here-
> "after created or established in Saskatchewan shall be
> "a municipal corporation under the name of "The
> "Town of

Having become a corporation with the inhabitants in an almost identical position to that occupied by the shareholders of a Mercantile corporation the natural sequence is the election of a "governing body" from amongst themselves to act in the same relation to the inhabitants as directors of a mercantile corporation act towards the stockholders, and the town Council is the outcome, with this difference. In a joint stock Company the directors elect their own chairman whereas in municipalities the chairman of the Council, the Mayor, is elected by the inhabitants.

Section 14 says that the powers of the Corporation shall be exercised by the council, and Section 15 that the Council

shall consist of the Mayor who shall be the head thereof, and six councillors.

The work of the council is usually split into six parts, and subject to the general control of the Council, is performed by Committees, according to the brief summary following:

1. Works, to keep the streets, sidewalks, etc., in good order.
2. Finance, to arrange necessary credits, pre-audit accounts for payment, and to see that other committees do not over-expend.
3. Cemetery, Health and Relief.
4. Waterworks and Parks.
5. Town Hall and Reception.
6. Fire and Light.

The last four titles are almost self explanatory.

The ward system, common in cities and Rural Municipalities, has no place in towns.

The Statutory powers of the Council are set out in Sections 192 to 228 of the Town Act. Briefly summarised, those relating to current finances are hereunder reproduced:

1. Raising its revenues by assessment on lands, businesses, incomes and special franchises.
2. Borrowing such sums as may be required for meeting current expenditure, till the taxes can be collected.
3. Exemption from current taxation.
4. Compromising on arrears of taxes.
5. Granting aid to agricultural societies, boards of trade, or incorporated mechanics' and literary institutes.
6. The relief of the poor.
7. Paying and controlling police.
8. Financing means for protecting the public health.
9. Licensing and regulating scavengers.
10. Financing the planting of trees on town property.
11. Paying for taking of census.
12. Paying necessary officials.

13. Acquiring necessary property, real or personal.

14. Financing public works.

15. Building halls, lockups, weigh houses, markets and other necessary buildings.

16. Acquiring parks and building skating rinks.

17. Providing drainage.

18. Building and keeping in repair sidewalks, etc.

19. Purchasing sandpits or quarries.

20. Granting special franchises subject to the approval of burgesses.

21. Building and operating light, heat, gas or water works, or taking stocks in companies formed to supply the town with these utilities, subject to the approval of the burgesses.

22. Contracting for the supply of light and water.

23. Purchasing nuisance grounds.

24. Licensing various trades and transient traders.

25. Collecting a dog tax.

26. Granting an adjoining municipality financial aid to improve roads leading to town.

27. Collecting poll tax.

28. Establishing, equipping and maintaining Fire department and providing fire protection.

29. Taking over, building and operating hospitals.

30. Purchasing and controlling parks and cemeteries, exhibition grounds, etc.

31. Selling or leasing town property not required.

32. Financing the care of the sick.

33. Establishing and operating fuel yards in case of necessity.

The foregoing practically covers the whole of the financial power of a town council. Of course, on the face of it, it is impossible for all of these powers to be exercised out of the current revenue, so provision is made in sections 229 and following Sections in the Town Act whereby towns may

pass by-laws contracting debts for borrowing money by the issue of debentures or otherwise and for levying rates for the payment of such debts on the rateable property of the town for any purpose within the jurisdiction of the council or on roads, bridges, waterworks and drainage works outside the limits of the town.

We had better devote a little time to the consideration of town borrowings, how they may be wisely undertaken, and under what conditions.

First, town councils are given power to create a bonded debt by other acts as well as under the Town Act. The School Act gives this power where the school district boundaries coincide with those of the town. The Secondary Education Act confers borrowing powers on towns, and all these powers are varied as to the length of time the loans may be spread over.

The limit under The Town Act is forty years, and under the Secondary Education Act the same.

This, apparently, places a great responsibility upon councils, but one which is fortunately to some extent lifted by the creation of the Local Government Board. Prior to the organization of the board, some councils floated loans on such things as electric light plants, whose life should never be estimated at over twenty years—(certainly borrowings for that purpose should be repaid in that time)—and spread them over fifty years. This, it will be readily admitted, was radically bad—if not frenzied—finance, on the face of it.

The powers which were conferred upon towns by the Municipal Public Works Act are now abrogated, and some of the powers therein contained have been transferred to the Town Act.

This brings us to the statutory borrowing powers of towns in the exercise of which great care is necessary. Borrowings under the Municipal Public Works were not charged against the borrowing powers of towns, nor are bonds when issued under the Secondary Education Act.

The borrowing powers of a town do not exceed 15 per

cent. of the total assessment according to The Town Act. Here be it noted that this 15 per cent. must cover the current loan of the town, as well as all bonded debt. Councils should therefore be extremely careful not to go within a reasonable margin of their total power to borrow, for fear they may find trouble over their current finances.

The Town Act only authorizes the issue of annuity or sinking fund debentures.

Mr. Grosch so ably deals with the whole question of municipal borrowings in his admirable article in the appendix hereto that it would be folly to go into this matter here.

The proper financing and accounting of public utilities will not be dealt with in this Volume, as much reiteration will be saved by treating these subjects in connection with the larger towns and cities.

CHAPTER II.

THE SECRETARY TREASURER, HIS DUTIES AND RESPONSIBILITIES.

As a rule, town councils have seen the desirability of securing a really capable man to fulfil the duties of the town secretary treasurer, or as he is generally called the town clerk.

It is a high office, that of the town clerk, even if the majority of such officials today perform the duties of Matthew the Publican, or tax collector, but in very different circumstances, for although the tax collector today is invariably unpopular amongst the "won't pays," the intelligent citizen realizes that in paying his taxes he is paying for something he has, and the tax collector of today does not collect as poor Matthew did—for Caesar.

Few town clerks of today realize that their office has descended from endless ages. Look up the Acts of the Apostles, chapter 19, verse 35, and it will be seen that the town clerk appeased an uproarious gathering. This is not a statutory duty of a town clerk in Saskatchewan, but it is one that he sometimes has to make an effort to perform when the financial statement does not suit the ratepayers.

Leaving out the secretarial duties, we find that The Town Act provides that the secretary treasurer "shall collect, receive and safely keep all money belonging or accruing due to the town from whatever source, and shall pay out the same only to such persons and in such manner as is directed by law or by the bylaws of the council."

"He shall daily, or as often as the council may direct, deposit in the name of the town in some chartered bank designated by resolution of the council, all moneys received by him in excess of one hundred dollars, and he shall jointly with the Mayor, sign all necessary cheques."

"The secretary treasurer shall keep and make use of

such books of record and account as the Minister of Municipal Affairs shall from time to time require him to keep and use."

"He shall also prepare and submit to the council a half-yearly statement of the moneys at the credit of the town."

These are the duties of the treasurer according to the section of the Act headed "secretary treasurer," and in a general way cover the whole of his duties.

Detailed duties usually fall upon the treasurer in connection with the issue of debentures, with which we had better deal and which are summarized in section 308 of The Town Act, as follows:

"The treasurer shall keep in his books two separate accounts of every debt, one for the sinking fund or for the instalment of principal, both to be distinguished from all other accounts in the books by some prefix designating the purpose for which the debt was contracted and he shall keep the said accounts with any others that are necessary so as to exhibit at all times the state of every debt and the amount of the moneys raised, obtained and appropriated thereof."

This is probably the most important section in the Act for the Secretary Treasurer, for on its fulfilment rests the whole financial fabric of the town municipality.

The Department has recognized to the full the importance of the section by providing a special form on its own statements for supplying the information called for, in detail, which cannot be correct unless the books are properly kept.

It is the duty of every Secretary Treasurer to report to the council monthly. This is very little trouble and keeps the Council properly informed as to the finances of the Town.

Amplification of the statutory duties of the Secretary Treasurer, now universally called the Town Clerk, will be found in the Chapters dealing with bookkeeping methods.

CHAPTER III.

THE BOOKS.

Without being captious, it would be hard to improve upon the system of books prescribed as a uniform system, although in some towns some little local condition may make one or more inapplicable.

The books comprised in the main system of accounts are as follows:

Combined assessment and tax roll.

Cash book, Receipts.

Cash book, Expenditures.

(The form of ledger is not prescribed in towns) with the following subsidiary books:

Debenture register.

License book.

Dog tax record.

Poll tax record.

Frontage and local improvement tax roll.

The department in many cases prescribes the forms incidental to the compilation of the subsidiary books and also prescribes forms for cash receipts, assessment and tax notices.

A descriptive chapter on the best way to keep such a set of books as this is of course, robbed of much of its value unless the reader has the books under discussion in front of him, and the author requests that this be the case wherever possible.

There are two books subsidiary to the tax roll, viz.: The business assessment roll and the general assessment and as the secretary treasurer often has to put the former book in shape after the assessor has done with it, a few words on this subject may be helpful.

In order to make the system of business assessment plain

to any reader who may not be familiar with it, a reference to section 371-3 of the Town Act is necessary. From this it will be seen that to put it briefly the number of square feet of business area occupied is capitalized.

That is, for example, if a hardware store has 1,000 square feet of space used for store purposes, 1,000 square feet used for a tin shop and say 1,000 square feet used as warehouse space, the assessor might assess the first 1,000 feet at $5, the tinshop at $2 and the warehouse at 50 cents, bring the total assessment out as follows:

1,000 square feet at $5.00	$5,000.00
1,000 square feet at $2.00	2,000.00
1,000 square feet at 50c.	500.00
	$7,500.00

making $7,500 the business assessment of the hardware merchant in question.

It goes without saying that all businesses similarly situated should be assessed at the same rates.

The business assessment book is designed so as to present a complete record of all businesses in the town. Columns are provided for the name, street and business of the person or firm assessed, and there are columns headed from 25 cents up to $7, under which the floor space area is entered against each name. At the right hand of the book are columns for total areas and for the capitalization of the measurements in the manner explained above. The totals of these capitalizations are transferred to the general assessment roll and the total must of course balance with the total in the business assessment book.

Complete proof of the correctness of the capitalization can be obtained by adding up all measurements under their respective values, working them out in total and seeing that they agree with the sum of the capitalization column.

Assessment and Tax Roll

Some space must be devoted to keeping this book owing to the fact that there are two classes of taxes levied; one consisting of Municipal and Schools, on the total assess-

ment, and the other, the Provincial Public Revenues Tax, on the Land Values only. No cognizance of this difference is taken in the columns respecting assessment, with which we deal first, and which occupy half of each page, and which comprise columns for

1. Number of assessment.
2. Names.
3. Address.
4. Owner or occupant.
5. Description of property—Lot, Block, Acres, Frontage and depth.
6. Vacant or occupied.
7. Value of each parcel—land only.
8. Value of improvements thereon.
9. Business assessment.
10. Taxable income.
11. Special assessment.
12. Value of exempted property.
13. Total net assessment.
14. Public School Supporter assessment.
15. Separate School Supporter assessment.

Columns 1 to 6 need no explanation. Columns 10 and 11 are very seldom used.

The totals of columns 7, 8 and 9, less the total of column 12 should equal column 13. Further, the totals of columns 14 and 15 should and must equal the total assessment.

It is perhaps hardly necessary to mention that the assessment roll should be entered up by the assessor, but in small towns the assessor and treasurer are generally one and the same.

Next come the tax columns. Here it will be found that two sections are necessary owing to taxation being levied on different tax bases.

The first section comprises

16. Municipal Tax
17. High School Tax.
18. Public School Tax.
19. Separate School Tax.

20. Special water rate.
21. Total.
22. Special Frontage tax rate.
23. Total.

Columns 20 and 21 are never used in small towns, and even in larger towns Column 21 is unnecessary, and is generally used for recording sums added to the mill rate in order to bring the tax up to the required minimum, $3 for individuals and $10 for business.

Column 16 is levied upon the figures in column 13 as is also column 17, for a separate School supporter has to contribute to secondary education "willy nilly." Column 18 however, is levied upon column 14 and column 19 upon column 15. The total in column 23 should agree with the totals of all component tax columns.

Frontage taxes may be said to belong to the advanced accounting sphere, and will not be included in these pages.

Objection may be taken to the fact that no column is provided for special rates ordered to be levied for the redemption of debentures. There is no need, however, for this to be done, as it is perfectly legal to include such sums in the general levy.

Let us take as an example, the following tax levies:

General Tax	13,500.00
High School	3,500.00
Public School	7,500.00
Separate School	2,500.00
	$27,000.00

How should these items be recorded in the Ledger?

Either they should be posted direct from the tax roll or from entries copied into the journal, which would then be:—

Outstanding Taxes	Dr. $27,000.00	
Separate School Liability	Cr.	$ 2,500.00
Public School Liability	Cr.	7,500.00
High School Liability	Cr.	2,500.00
General Revenue	Cr.	13,500.00
	$27,000.00	$27,000.00

The reader will, of course, understand that by these means the council's liability in connection with the levy is shown, so that when funds are collected, and the liability to be discharged, the payments therefor may be charged up to the liabilities affected.

The arrears of taxes will already have been posted to the ledger from the previous year and the treasurer should take particular care to see that these agree with the ledger totals when completing his new tax roll.

The arrears of taxes should on January 1st, be increased-by 8%, the penalty for non-payment provided by law. The entry necessary to record this will be

Outstanding Taxes.
Dr. to Revenue

for the total amount of the penalty imposed.

Adjoining Column 23 will be found the following columns in the order named

24 arrears for previous year
25 penalty added January 1.
26 total arrears
27 total uncollected taxes.

Column 27 must of course agree with the totals of column 23, and 26, and columns 24 and 25 also with column 26.

Having now completed the recording of taxes to be collected (excluding Government Public Revenues Tax) provision must of course be made for recording how they are paid or otherwise disposed of. We therefore find the next ensuing columns to be

28 Discounts allowed.
29 Cash receipts.
30 Cancellations
31 Amount included in tax sales.
32 Amount unpaid December 31.

So far as the tax roll goes these figures are self explanatory, but further light is necessary before ledgerization of the totals of the columns can be completed.

There are three methods in Saskatchewan towns under which taxes may be levied and collected.

The first, known as the "special provisions method" provides for the assessment to be made the previous year, with the taxes payable in two instalments, one on or before June 30 and the other by the end of the year. The first instalment may carry a discount, and may, if not paid by the specified date, carry a penalty. This method is never used in small towns and need not therefore be exemplified.

The second provides for a discount of one per cent for each month of prepayment before the end of the year. Thus, taxes paid in July would entitle the payer to 5% and those paid in November to 1%.

The third is payment at par pure and simple.

The second method requires a little explanation, as to the best manner of treatment.

A column, adapted from some other purpose, in the receipts Cash book should be used for entering discounts. Monthly these should be charged to the General Fund and credited in outstanding taxes. Although theoretically, the school should bear their proportion of these discounts, in small towns where as a rule it is possible to pay school demands in full, there is no object in further dissection. In larger urban centres, where subdivisions are a bug-bear, the situation is different, because if schools are charged a proportion of discounts for payment they should also be credited with their share of penalties imposed for non-payment.

Cancellations also, where the schools are paid their demands in full annually, may be charged to the general fund, as, if the school demands are not fully met, they will most likely be short of funds, and levy more the ensuing year. Again, whilst this is not theoretically correct, it is sound practice.

Tax Sale. To avoid needless repetition the reader is referred to explanations given in the same subject on rural work. The treatment is exactly the same.

At the close of the year the totals of columns 28, 29, 30 and 31 must balance with the total of column 32 which must

agree with the totals of the Ledger account "Outstanding taxes." The totals of Columns 28 and 29 must agree with their relative columns in the receipts cash book, or the Tax Roll will be out of balance with its controlling account in the Ledger.

The remaining columns in the Tax Roll deal with Public Revenues Taxes and Union Hospital Taxes.

The Public Revenue taxes belong to the Province unless the taxes levied are paid to the Provincial Treasurer in full at the end of each year, in which case they belong to the town.

The Municipal Department rules that no discounts may be allowed on Public Revenues taxes, and although one city has disputed this on the ground that Section 7 of the Act gives it power to allow discounts, much extra bookkeeping will be saved by adhering to the ruling of the Municipal Department.

The columns in the tax roll under this heading are fully self explanatory, and the taxes and penalties are transferred to, and collections dealt with in precisely the same manner as in rural municipalities, and reference to the index will enable the reader to study this subject in that part of this book so as to again avoid repetition.

Hospital taxes are also treated in exactly the same manner being a liability to the Hospital district only when collected.

The foregoing should, if the reader compares it with the book itself, enable him to keep any town tax roll properly, and at the same time to transfer to the ledger on strict double entry principles.

The Assessment and Tax roll as the basis of the relationship of the Corporation with its constituent ratepayers is the most important book of record possessed by the town, and as such should be accurately kept in all its details.

Receipt numbers should be given against each payment entered in the Roll and the tax roll folio should be entered on every duplicate receipt.

Cash Receipts Book

This book is intended to summarise the receipts by the Treasurer on behalf of the town, and to exhibit the relationship of the Treasurer with the Bank as apart from expenditures. In other words, in addition to summarising the receipts it should show how much Corporation Cash should be in the Treasury not yet deposited in the Bank.

It contains the following columns

1 Total Receipts from all Sources.
2 Deposits to Municipal or General Bank account.
3 Deposits to Provincial Treasurer's Bank Account.
4 Municipal Taxes received.
5 Public Revenue taxes received.
6 Poll Tax.
7. Dog Tax.
8. Licenses.
9. Fines.
Some unruled Columns.
10 Sundries Column, with adjacent columns for particulars and posting column.
11
12
13
14 } Tax Sale Redemption Columns

In the actual book, electric light and waterworks receipts columns are provided, but as these departments are not now being dealt with, these columns are omitted.

Column 1 should equal the total of all columns subsequent to column 3. In posting this column to the ledger, dissection of Municipal Cash from Public Revenues Cash is necessary, thus

Total	$12,324.20
Municipal	11,643.80
Public Revenues	680.40

The second line will be posted to the Ledger account for Municipal Cash and the third to Provincial Treasurer's Cash where such an account is kept. Although the regulation governing this matter is more honoured in the breach than in the observance, for purposes of demonstration we will assume that the law is being strictly obeyed.

Columns 2 and 3 also require special treatment in that they each require two postings. The former in total is a

charge to the general bank account of the Municipality, and the latter to the Provincial Treasurer's Trust Bank account, the credit in each case being to "Cash," General or Provincial Treasurer.

The present may be an excellent opportunity to remark upon the great need for cross referencing in posting to the ledger.

The time occupied in performing this function is very slight as compared with the time saved by being able to see at a glance where an item is posted from or posted to, when at a later date reference is necessary as it so often is. In the case of a double posting as in the case of deposits, the debit folio should be at the left hand side of the figure posted and the credit folio at the right, thus

11,423.60
(Bl) (Cl)

Bl in this case representing the Bank folio in the Ledger and Cl the Cash.

Column 4 will be posted to the credit of outstanding taxes with Column 5 to the credit of Public Revenues taxes.

The other columns are posted direct to the credit of accounts bearing their respective names, with the exception of those appertaining to Tax Sale Redemptions, which are treated identically as in Rural Municipalities.

Where, as is the case in so many small towns, the town treasurer has to handle other business than that of the town owing to the size of revenue of the town being insufficient to pay him enough to live on, he will be well advised to keep a supplementary cash book of his own, wherein all the moneys received in his office, whether for town or other purposes, are recorded both as to receipt or disposition. Had a good many Secretary Treasurers kept such a book and kept it faithfully, much unpleasantness when Auditors prove up the cash would have been saved, and the Treasurer himself in many cases would have avoided the necessity of putting up his own good money to protect his good name, which might have been subject to a smirch had he not been

in a position to do so, even though he may have been perfectly honest and even though he may not have used either directly or indirectly a dollar of the Town's money for his own purposes.

One matter of importance has been overlooked herein. Arrears of tax receipts should always be separated from current tax receipts in the cash book, and also in the Ledger. This should be done so that the amount of taxes unpaid at the end of the year can be dissected into their component years.

As a matter of fact, with the expiry of legislation protecting the property of soldiers, there should at the end of any year be no taxes outstanding from the previous year if the Arrears of Taxes Act is strictly enforced.

Cash Expenditures

The old Voucher register System having been discarded, the Department substituted for the Cash book and Voucher register, a dissected Cash book for expenditures which contains all information required, in a much simpler form with a considerable saving of work.

It contains the following main divisions:—

Date, name of payee and address
Cheque number column
Total Expenditures column
Cheques paid column
Works committee
Finance Committee
Town Hall and Reception Committee
Waterworks and Parks Committee
Cemetery, Health and Relief Committee
Fire and Light committee

each of the six last divisions being divided as between Capital and Current expendiutre, columns for details of expenditures of each subdivision being further provided.

Secretary Treasurers often ask for a rule by which Municipalities can distinguish Capital from Current expenditure. Capital assets can be created from Capital funds, which in small towns can only exist in one form, viz., proceeds of Debenture. Therefore it may with perfect

safety be taken as a set rule in small towns that the capital columns in the expenditures Cash book should only contain entries of expenditures made from Debenture proceeds.

It may be helpful to explain how capital assets created from current funds or revenue, should be treated in the ledger.

First, the expenditure should be posted to a heading properly describing the asset, which should always in the Ledger be further designated "Revenue Asset." Taking as an example a chemical fire engine bought out of the current year's taxes.

The original posting, say $1000, will be transferred to the debit of the General Fund when the books are closed for the year. This of course leaves no asset to appear in the Balance Sheet, which cannot be right. Hence, in order to display the asset at cost and at the same time to obey the rule of double entry bookkeeping that no debit be made without a corresponding credit, it becomes necessary to decide who or what account becomes wealthier by the acquisition of the asset. There can be no doubt but that if the asset is created from current funds the net wealth of the Municipality is thereby increased, consequently the following entry will correctly interpret this fact.

Fire Engine, Revenue Asset Account.
Dr. to Surplus or Deficit.

The latter account should, at the end of each fiscal period, correctly represent the net wealth (or otherwise) of the Municipality.

The cheques column may, if the suggestions with regard to the treatment of outstanding cheques in the chapter on Rural Municipalities be allowed out, be ignored, or reheaded for use for payment made to the Provincial Treasurer in respect of the Public Revenue Tax.

The total Expenditures column, must agree with the totals of all subsequent columns, and Treasurers will be well advised if they see that this is the case before they attempt to post to the Ledger.

The total Expenditures column is a credit to the Bank account and all the other columns are debits to their respective ledger accounts monthly.

We now come to the details of the division into Committees, and will take first the Committee given priority in the Expenditures Cash book. We find these to be

WORKS

Capital—
- Sewerage
- Pavement
- Sidewalk.
- (Spare column)

Current—
- Street repairs.
- Sidewalks and crossing repairs
- Grading
- Plank walks
- Engineer's salary and expense
- (Spare columns)
- Local Improvement
- (Spare columns)

The reader may remark with surprise that sewerage is included as a public work, but thought and reflection will convince him that this is strictly correct, and that it is incorrect to charge the waterworks department with sewers. On the other hand, it is equally correct to charge connections of the premises to the sewers to the waterworks department.

The difficulty referred to previously as to the separation of capital from current expenditure is probably more apparent under this committee than under any other, for it is often the case in this committee that expenditure on assets is made out of current taxation in this department. Take sidewalks for instance, part of which is to be paid for out of debentures issued under the local improvement sections of the town act, and part by the general fund of the town. The best plan in this case is to charge the whole of the expenditure to local improvement, and later on transfer that part to be paid out of the general fund to the heading under capital for sidewalks.

Dealing with sidewalks further, it is now admitted on all hands that it is bad business to finance plank sidewalks out of the sale of debentures, and in consequence this book at any rate, provides for them to be charged to current account.

Of the headings given for this committee under current account, only one can by any stretch of imagination be classed as an asset, viz.: plank walks, and even this should be depreciated by at least 20 per cent. per annum.

"Gravel and grading" is far too often classed as an asset whereas it is nothing of the kind.

The question of showing sewers, pavements and cement sidewalks as assets will be fully dealt with in the second Volume, as also will the disposition therein of expenditures on local improvements.

The spare columns are very necessary under this committee, as it is often found expedient to make expenditures on items not classified, which require special columns, and which should not be classified as sundries. The Treasurer will have to use his own judgment in this respect.

Finance Committee

This committee is generally looked upon as the Senior Committee, and rightly so, as it should be responsible for the approval of the expenditure of all other committees. In the expenditures Cash book it is assumed that all expenditures for Liabilities directly incurred by this committee should be payable out of current account.

The headings under the finance committee are as follows:

Printing, advertising, stationery.
Interest and exchange.
Debenture interest.
Debenture principal.
Grants.
Salaries.
Police department expenses
Sundry.
Public Schools payments
Separate Schools payments

Very little need be said in the way of advising treasurers as to what to classify under the foregoing headings, it being presumed that they will understand the necessity of keeping sundries down to a minimum. There are spare columns provided for use where any expenditure of a fairly large sum is made.

There is one item apparently overlooked in the Cash book, and that is the charge made to the town for street lighting, whether by the municipal plant or by one privately owned. It can hardly be looked upon as an expenditure by the fire and light committee where the amount charged is a credit to that committee, so it may be taken to be an expenditure by the finance committee in a general way as all items not otherwise classified are usually looked upon as a debit to that committee.

Fire and Light Committee

The expenditures under the fire and light committee are divided into two sections the first "fire" and the second "light." The headings provided for the former are as under:

Fire Current Account—
- Fire brigade wages.
- Repairs to equipment.
- Wages.
- Sundries.
- (Blank Columns)

Fire Capital Account—
- Fire hall
- Fire engine and equipment.
- (Blank columns)

Where a fire hall is maintained, an additional column should be utilized for keeping record of its cost per annum, and this can in towns include the cost of keeping up the fire alarm system which is usually operated through the local telephones exchange where a street alarm system is not in vogue.

The sundries column should be ignored as much as possible and all expenditures properly classified.

The Fire and Light Committee is expected to be respon-

sible for electric light plants, but this subject is dealt with fully in the volume devoted to large towns and cities. Where no electric light plant is in operation, it is quite proper to charge street lighting to this Committee, the remarks made on this subject under the heading of the Finance Committee not applying in this case.

Town Hall and Reception Committee.

The headings under this section are as follows:

Town Hall Current Account—
- Furnishings.
- Caretaker.
- Sundries.
- (Blank Columns).

Town Hall Capital Account—
- Buildings.
- Grounds.
- (Blank columns)

Reception Account—
- Sundries.

Absolutely no explanation is needed of these columns, and very little advice. If the treasurer is careful to keep the "sundries" down to a minimum, and to advise his council to beware of abusing "reception," no difficulty should arise.

Waterworks and Parks

We are not at present dealing with the accounting for waterworks (the grouping with parks being at any time difficult to understand, albeit customary) and pass on to Parks.

The Distribution of expenditures for parks is:

Current Account—
- Wages,
- Grading and levelling.

Capital—
- Tree planting.
- Grounds and grandstand.

The only difficulty encountered here is the tree planting, seeing that it is charged out as capital where it might conceivably be paid out of revenue. The previous remarks on the same subject in connection with the works committee

may be read as bearing on this. The writer has on more than one occasion been asked whether it is correct to charge trees planted on streets to the parks committee. The answer to this question is that unless otherwise stipulated in the town bylaws it is quite correct, for tree planting on streets should invariably be accompanied by boulevarding, which is distinctly the work of the parks committee.

The classification under the cemetery, health and relief committee is so simple that it is unnecessary to insult the intelligence of the reader by advising upon it but under this heading may be raised the question of the valuation of the cemetery consequent upon the sales of permits to bury therein, and it would be better to come to a proper understanding on this vexed question.

The simplest way of ascertaining what to do in this respect is to take an example:

A town bought a piece of land for $6,000 for a cemetery. It spent $500 upon surveying it out into lots and a further $500 on fixing it up in the first place. This made $7,000 without $3,000 spent on a mortuary chapel, which, of course, does not enter into the question at all.

The cemetery was surveyed out into 2,000 lots at $5 each, 200 at $10 and 1,000 lots at $3 each, making a total of $15,000 dollars when all were sold.

During the first year, $1,000 worth of lots were sold.

The question is, how much should the asset of $7,000 be reduced by?

The answer is, that as one-fifteenth of the saleable lots had been sold, it should be reduced by one-fifteenth, or $466.67.

The above solution assumes the right to dispose of the actual land for burial purposes which is debateable.

This completes discussion on the books of original entry in the average small town not operating any public utilities such as Electric Light or Waterworks, and it is now possible to discuss closing a ledger and the preparation of a Balance Sheet.

CHAPTER IV.

CLOSING THE LEDGER

Probably the best way to impart the information necessary to understand the process of closing the ledger thoroughly will be to take a skeleton set of transactions in a fictitious small town. In order to enable us to carry out our idea, we shall of necessity have to make up a balance sheet as at the end of the previous year which we will imagine to be as under:

TOWN OF HICKVILLE.

Assets and Liabilities at December 31st, 1919

Assets:		
Balance at Bank	$ 4280.65	
Less O/s cheques	920.32	
		3360.33
Cash in treasury		919.16
Unpaid municipal taxes		3760.44
Unpaid Public Revenues Taxes		103.77
Commission due on Public Revenues Collections		12.55
Tax Sale Certificates and subsequent taxes at cost		1432.10
Sidewalks and crossings	8370.16	
Town Hall and fixtures	18256.10	
		$26626.26
		$36214.61
Liabilities:		
Debentures		$26626.26
Unpaid loans		2000.00
Unpaid accounts		326.34
Balance due schools		975.00
Balance due Provincial Treasurer on Collections		94.75
Balance due Prov. Treasurer on uncollected taxes		103.77
Surplus		6088.49
		$36214.61

For future guidance it is imperative we should have a statement of debentures which will be as under:

	Issued	Interest	Form	Amount	Redeemed	Unredeemed	Maturity
By-law 19 Sidewalks	1917	5%	Annuity	10,000.00	1629.84	8370.10	1972
By-law 12 Town Hall	1916	6%	Do.	20,000.00	1743.90	18266.10	1936
				30,000.00	3373.74	26626.26	

The balance sheet presented above is weak in that it should display the asset created from capital at cost, deducting debenture repayments as depreciation.

The next information required is a summary of the transactions of the town for 1920.

The tax levy was:

Municipal	11,000.00
School, public	6,000.00
High School	3,000.00
Public revenues	600.00
	$20,600.00

Adding the statutory penalty of 8% on unpaid taxes, we find that after the levy is recorded we have the following taxes to account for.

Municipal	24061.27
Public revenues	712.07

and that there is a credit to 1920 revenue of $11,300.83, to the public school of $6,600, and the high school of $3,375, with the uncollected public revenue liability, at $712.07 to offset the uncollected taxes under that heading.

In compiling the high school and public school liabilities, it will be recognized that it is assumed that the $975 shown as owing to the schools on the 1919 balance sheet comprised $600 to the public school and $375 to the high school.

Taxes cancelled during the year amounted to $164.20 on municipal taxes and 3.20 on public revenues. We know that the municipal levy was 55% of the total tax, the public school 30%, and the high school 15%. Assuming for demonstration purposes that the council requires the schools to bear their share of the loss of revenue occasioned by can-

cellations and discounts, we need the following journal entry

General fund	90.31	
Public School	49.26	
High School	24.63	
Dr. to taxes		164.20

and for public revenues taxes

Provincial Treasurer liability	3.20	
Dr. to Public Revenue Taxes		3.20

A footnote should be added to the effect that the above entries represent cancellations on such and such properties "as per tax roll" and resolution of the council dated.....

If discounts totalling $328.40 were allowed, in order to follow out the directions of the council as to apportionment, the entry following is needful

General Fund	180.62	
Public School	98.52	
High School	49.26	
Dr. to taxes		328.40

The ledger will then show the balances to the debit or credit of the accounts affected to be

General Fund ....Cr.	11029.90
Public School ....Cr.	6452.22
High School ....Cr.	3301.11
Municipal Tax ....Dr.	23568.67
Public Revenues Taxes ....Dr.	708.87
Liability to Prov. Treas. on uncollected taxes ....Cr.	708.87

The reader will profit by tracing the above entries right from 1919 balance sheet, and proving the balances listed, as correct. When he has done this, understanding the principles underlying them, he should have a good idea as to how to treat such matters in practice.

We now need to know how the cash books of the municipality stand, and will assume that a twelve months summary of the receipts cash book is as follows:

Total receipts from all sources	20108.41
Deposits	20325.00
Municipal Taxes	17432.60
Discounts	328.40
Public Revenue Taxes	608.34

Dog Tax	60.00
Poll Tax	50.00
Licenses	300.00
Cemetery receipts	100.00
Town hall rentals	700.00
Redemption Account—Municipal purchases	706.50
Penalty	70.65
Other purchases	43.75
Penalty	4.37
Redemption certificates	5.00
Tax sale costs prior to sale	3.00
Public revenues commissions	33.20

It will be seen above that a previous suggestion to utilize a spare column for recording discounts has been acted upon, and this column has been dealt with on the preceding page, but it may be well to point out that these must not be treated as receipts, otherwise the treasurer's cash will not agree.

The standing of the ledger accounts thus far will be

	Dr.	Cr.
Municipal taxes	6145.07	
Public revenues taxes	100.53	
Cash	702.57	
Dog Tax		60.00
Poll tax		50.00
Licenses		300.00
Cemetery receipts		100.00
Town hall rentals		700.00
Tax Sale holdings, municipality	725.60	
Penalties on municipal tax sale redemptions		70.65
Tax sale redemptions, private		48.12
Tax sale redemptions certificates		5.00
Tax sale cost		3.00
Public revenues commissions		20.65
Bank	23685.33	
Sidewalks and crossings, capital	8370.16	
Town hall, capital	18256.10	
Debentures		26626.26
Loans		2000.00
Unpaid accounts		326.34
Public Schools		6452.22
High School		3301.11
Provincial Treasurer, on collections		703.09

Prov. Treas., uncollected taxes	100.53
General fund (or revenue)	11029.90
Surplus	6088.49
	57985.36 57985.36

As the important ledger accounts will be displayed in detail at the end of this chapter prior to taking off the balance sheet, no comment on the balances now displayed will be made at this juncture.

We are now ready to record the expenditures for the year as exhibited in the expenditures cash book. These are assumed to be

WORKS COMMITTEE		
Street repairs	285.00	
Sidewalks	24.90	
Grading	345.75	
Gravel	167.70	
New sidewalks	1000.00	
Street signs....	31.00	
		$ 1854.35
FINANCE COMMITTEE		
Printing, advertising and stationery..	241.45	
Interest and exchange	160.00	
Salaries	2000.00	
Loans repaid	1500.00	
Debenture principal	1524.49	
Debenture interest	1514.47	
Grants	500.00	
Police department expenses	700.00	
Public school	6000.00	
High School	3750.00	
Provincial Treasurer, Public Revenue.	600.00	
Tax sale redemptions	48.12	
Tax sale costs	10.00	
Tax sale purchases (21 parcels)	423.42	
Legal	102.00	
Dog tags	3.90	
		19077.85
FIRE AND LIGHT COMMITTEE		
New fire engine	750.00	
Supplies	25.00	
Wages of firemen	75.00	

Street lighting	400.00	
		1250.00
TOWN HALL AND RECEPTION COMMITTEE		
Fuel and Light	842.50	
Caretaker	500.00	
Sundries	90.00	
		1432.50
WATERWORKS AND PARKS COMMITTEE		
New Grand Stand	500.00	
New race track land	500.00	
Tree planting on streets	250.00	
		1250.00
CEMETERY HEALTH AND RELIEF COMMITTEE		
Cemetery		
Wages	150.00	
Sundries	25.00	
		175.00
Health and Relief		
Scavenging	1234.00	
Hospital Aid	386.30	
Poor relief	291.80	
Health Officer	100.00	
		2012.10
		27041.80

Outstanding cheques paid were $920.32 and there were cheques to be presented at December 31 amounting to $1180.40.

It may be surmised from this list of expenditures that the Council made certain expenditures on capital account, forgetting to levy therefor in the taxes.

Criticism of the statement may also be made in that scavenging is charged to the town at large without any effort being made to recover from properties benefited. It is theoretically wrong to render such services without collecting at least a considerable portion of the cost from those receiving benefit therefrom.

Note may also be taken that tree planting on streets is

charged to Parks. Reflection will show that if the trees are to be successful, boulevarding will have to be carried on and this is a function of the Parks Committee.

Apparently, the caretaker of the town hall is also the policeman, and his salary has been apportioned according to the work he performs.

The Council is also shown to be expending and receiving moneys in connection with a cemetery, whereas none appears in the Assets as at December 31st, 1919. This has been done so that we may see how such a thing might be.

It is possible that the cemetery was given to the town when the townsite was planned. It is further possible that it was purchased from current revenues in previous years and no asset set up therefor. In the present case we will assume the former to be the fact. The town therefore possesses an asset of value, which latter has to be decided. The Council should fix the value of the asset, which should be set up by means of the following entry

Cemetery	1000.00	
Dr. to appreciation reserve		1000.00

The reader may ask "Why not carry the balance straight to surplus?" Because such action is wrong and misleading, and might, if continued, lead to such a false impression of the financial standing of the town that an actual deficit of assets to liabilities could by such means be turned into a fictitious surplus.

Such a thing happened in a Western City some years ago, during boom times. The City Council decided to place the assessed value of City properties in the books and instructed its officials accordingly. The increase approximated $1,000,000, and was credited to the surplus account of the city.

Had this action not been taken, there would have been a deficit of $70,000, but by the ignorance of the officials this was turned into a surplus of $930,000. The surplus of a town or city should at all times represent its surplus earnings. Theoretically there should be no surplus at all, nor yet a deficit. The figures in this example are not correct,

but the fact that such a thing occurred can be proved beyond dispute.

Now let us examine the accounts of the town after posting the expenditures.

The following only need special mention:

New Sidewalks	1000.00
New Fire Engine	750.00
New Grand Stand	500.00
New Race Track	500.00

These items should be first of all transferred to Revenue. Afterwards the following entries should be made.

Plank Sidewalks, Revenue Asset	1000.00	
Fire Equipment, Revenue Asset	750.00	
Race Track Grand Stand, Revenue Asset	1000.00	
Dr. to surplus		2750.00

The reason for this entry has been explained two or three times previously in this book. It is plain that they must be paid for from current funds and that the wealth of the Town is increased by their acquisition.

Tax Sale Purchases. This item discloses an error in our receipts statement. It includes $10.50 costs, and these have apparently been included in tax receipts. We therefore must increase the tax sale costs receipts by $10.50 and decrease the Municipal Tax receipts by this sum. This item had better not be charged up to Revenue at present, because as is evidenced in connection with the asset from the previous year, it may be considerably reduced if not wiped out altogether by subsequent redemptions. Care must, however, be taken to see that each year finances its reasonable expectations for bad debts in taxation, and it is probably better to charge Revenue something annually on this account, crediting same to Surplus.

The trial balance of the Ledger after posting all these expenditures will be as follows.

	Dr.	Cr.
Municipal Taxes	6155.57	
Public Revenue Taxes	100.53	
Cash	702.57	

Dog Tax	3.90	60.00
Poll Tax		50.00
Licenses		300.00
Cemetery Receipts		100.00
Cemetery Asset	1000.00	
Appreciation Reserve		1000.00
Town Hall Rentals		700.00
Town Hall, Fuel, Light	842.50	
Town Hall, Caretaker	500.00	
Town Hall, Sundries	90.00	
Tax Sale Holdings	1149.02	
Tax Sale Costs		3.50
Tax Sale Redemption Certificates		5.00
Tax Sale Redemption Penalties (town)		70.65
Public Revenues Commission		20.65
Bank		3366.47
Sidewalks and Crossings Capital ... 8370.16		
from revenue ... 1000.00		
	9370.16	
Town Hall Capital	18256.10	
Debentures unpaid		26626.26
Debentures Principal	1524.49	
Debentures Interest	1514.47	
Unpaid accounts		326.34
Public School		452.22
High School	448.89	
Prov. Treasurer, on collections		103.09
Prov. Treas., on uncollected taxes		100.53
General Fund		11029.90
Surplus		8838.49
Street Repairs	285.00	
Sidewalk Repairs	24.90	
Grading	345.75	
Gravel	167.70	
New Sidewalks, Dr. to Revenue	1000.00	
Street Signs	31.00	
Printing, Advertising, Stationery	241.45	
Interest and Exchange	160.00	
Salaries	1500.00	
Grants	500.00	
Police Department Expenses	700.00	
Legal	102.00	
New Fire Engine, Revenue Asset Acct.	750.00	
New Fire Engine Dr. to Revenue	750.00	
Fire Supplies	25.00	

Fire Wages		75.00
Street Lighting		400.00
New Grand Stand and Race Track Asset account		1000.00
New Grand Stand Dr. to Revenue		1000.00
Tree Planting on Streets		250.00
Cemetery Wages		150.00
Cemetery Sundries		25.00
Health and Relief:		
Scavenging		1234.00
Hospital Aid		386.30
Poor Relief		291.80
Health Officer		100.00
	56153.10	53153.10

This trial balance makes it quite evident that there are some items which have yet to be adjusted. For instance, the Public Revenues Commissions account makes it appear that the town owes someone on this account, which is absurd. The fact is that we have not charged this account with commissions earned but not received, which are 5% on $608.34 or $32.40. This must be charged to this account bringing it into debit $11.75 and credit revenue, bringing the latter account to $11062.30.

Then again it is not probable, though quite possible, that no payments have been made on the current liabilities of the town at the end of 1919. This, however, does not affect the theory of this example, and we will assume that it is true that the amount is still owing.

We have further to provide for depreciation. The debenture register will show the principal repaid on Sidewalks to have been $876.54 and on the Town Hall $647.95.

We therefore make the following entry through the journal

Debentures	1524.90	
Dr. to Sidewalks		876.54
Dr. to Town Hall		647.95

Thus providing for the reduction of the Debenture liability and proper depreciation of the Capital Asset at the same time. The other assets being newly created no pro-

vision for depreciation need be made till the next year, when they should be suitably depreciated where depreciation can occur, by a charge to Revenue.

We are now ready to close our Ledger. In doing so, all accounts referring to Revenue or Expenditure should be closed out and transferred to the General Revenue account of the town, which will then appear as follows, and will constitute an actual Profit and Loss account of the town for the year.

It should be as follows:

	Dr.	Cr.
By Tax Levy		20000.00
To Public School less discounts and cancellations	6000.00	
To High School, less discounts & cancellations	3000.00	
To Municipal Tax Cancellations	90.31	
To Municipal Tax Discounts	180.62	
By Public Revenue Commission earned		32.40
By Municipal and School Penalties		300.83
By Dog Tax—net income		56.10
By Poll Tax		50.00
By Licenses		300.00
By Cemetery Receipts		100.00
By Town Hall Rentals		700.00
To Town Hall Fuel and Light	842.00	
To Town Hall, Caretaker	500.00	
To Town Hall Sundries	90.00	
By Tax Sale Costs Surplus		3.50
By Tax Sale Redemption Certificates		5.00
By Tax Sale Penalties (Town)		70.65
To Debenture Principal	1524.49	
To Debenture Interest	1514.47	
To Street Repairs	285.00	
To Sidewalk Repairs	24.90	
To Grading	325.75	
To Gravel	167.70	
To New Sidewalks	1000.00	
To Street Signs	31.00	
To Printing, Stationery, Advertising	241.45	
To Interest and Exchange	160.00	
Salaries	1500.00	
Grants	500.00	
Police Department Expenses	700.00	

Legal	102.00	
New Fire Engine	750.00	
Fire Supplies	25.00	
Fire Wages	75.00	
Street Lighting	400.00	
New Grand Stand and Race Track	1000.00	
Tree Planting	250.00	
Cemetery Wages	150.00	
Cemetery Sundries	25.00	
Health and Relief:		
Scavenging	1234.00	
Hospital Aid	386.30	
Poor Relief	291.80	
Health Officer	100.00	
Deficit for year		1868.81
	23487.29	23487.29

The remaining items of the Trial Balance, as adjusted, will constitute the Balance Sheet of the town, and may now be taken off as a Balance Sheet direct as follows:—

ASSETS		
Cash in Treasury		702.57
Unpaid Taxes, Municipal		6155.57
Unpaid Taxes, Public Revenues		100.53
Tax Sale Holdings		1149.02
High School Overpaid		448.89
Public Revenues Commission		11.75
ASSETS CREATED FROM REVENUE		
Sidewalks	1000.00	
Fire Engine	750.00	
Race Track Account	1000.00	
		2750.00
Cemetery		1000.00

CAPITALIZED ASSETS

	Cost	Dep'n	Value
Sidewalks	10000.00	2506.38	7493.62
Town Hall	20000.00	2391.85	17608.15
			37420.10

LIABILITIES	
Bank Overdraft	3366.47
Public School	452.22
Provincial Treasurer on Collections	103.09

Provincial Treasurer, on uncollected taxes		100.53
Debentures		25101.77
Unpaid accounts		326.24
Appreciation Reserve		1000.00
Surplus	8838.49	
Less Revenue Deficit	1868.81	
		6969.68
		37420.10

There are certain accounts in the Ledger, which if displayed as supporting schedules, in statements made public, would convey much valuable information.

For instance, those summarizing the relations of the town to the Schools might with advantage be given. In this case the Public School Ledger account would show.

Balance unpaid Jan. 1		600.00
1920 Levy		6000.00
Discounts allowed	98.52	
Taxes cancelled	49.26	
Remitted to Treasurer	6000.00	
Balance due Dec. 31	452.22	
	6600.00	6600.00

and those displaying the Town's relationship with the Province for the Public Revenues tax would be.

PUBLIC REVENUES TAX ACCOUNT

Taxes outstanding January 1	103.77	
Penalty added	8.30	
1920 Levy	600.00	
Cancellations		3.20
Collections		608.34
Uncollected Dec. 31		100.53
	712.07	712.07

PUBLIC REVENUES LIABILITY ACCOUNT

Liability, January 1		198.52
Levy 1920		600.00
Penalty added		8.30
Cancellation	3.20	
Remittances	600.00	
Liability December 31st	203.62	
	806.82	806.82

These statements obviate the necessity of keeping separate accounts for "Collections" in small towns, inasmuch as the difference between the uncollected taxes, and the liability shown, should at all times correctly represent the liability of the town to the Provincial Treasurer for collected taxes.

It will be observed that receipts from tax sale have not been separated in this example, but treated as tax collections. Properly handled, in small towns this is found to be a better plan than that prescribed for Rural Municipalities.

We have now to prepare a combination tax statement. This can easily be taken directly from the ledger, and will be found to be as follows.

Municipal arrears January 1, 1920	3760.44	
Penalty added	300.83	
Public Revenues, arrears Jan. 1	103.77	
Penalty added	8.30	
General Municipal Tax	11000.00	
Public School Tax	6000.00	
High School Tax.....	3000.00	
Public Revenues Tax	600.00	
Municipal Taxes Collected		17413.10
Discount allowed		328.40
Cancellations		164.20
Public Revenues Taxes Collected		608.34
Cancellations		3.20
Municipal Tax unpaid Dec. 31		6155.57
Public Revenues Taxes Unpaid Dec. 31		100.53
	24773.34	24773.34

The reader may object to the form of statements here given on the ground that it will not be easily adapted to the form of statement provided by the Department, which is a Cash Statement pure and simple. The Department never asks any town that keeps its books properly to submit a cash statement, but unfortunately many small towns have not a clerk who up to the present has sufficient bookkeeping knowledge to prepare statements on the lines herein outlined. The Act calls for a statement of Revenue and ex-

penditure as outlined in this chapter, not a cash statement at all, and the department will gladly accept the proper form of statement for which it will supply blank sheets of regulation size, for they realize that a cash statement "tells no one anything."

Towns find the almanac their best friend if their clerk will live up to it and try, whenever possible, to be a little ahead of it.

Town clerks should have realized by now that promptness is its own reward, particularly in collections, for they will have found by experience that every item of taxes or any other collectable account that carries a penalty for nonpayment, adds 50% to the clerical work in connection therewith.

CHAPTER V.

DEBENTURE REGISTER.

In the larger urban communities the proper methods of keeping the debenture register are usually quite well understood. This is not the case in the smaller communities, hence an explanatory article at this point.

As is presumed to be understood, two kinds of debentures are allowed in communities dealt with in this column. Instalment and Annuity. (The Local Government Board will not allow the issue of Sinking Fund bonds in small towns, although permissible under The Town Act). Under the instalment plan, one debenture matures each year. The annuity plan is found to exist under two varieties, the first of which provides for bonds to the amount of the principal repayable each year to be surrendered, whilst under the second variety, no debenture is surrendered annually. In this case, the coupons cover both principal and interest, whereas in the first the coupons are for interest only.

Under the instalment plan the wording of the debentures is varied to suit the issue. Thus, where one bond is surrendered annually, the following suits the case exactly:

"....." The Town of Hickville promises to pay the bearer on ....at ....., the sum of One Thousand Dollars, with interest thereon at the rate of five per centum per annum according to the several coupons attached hereto as the same severallzy becomes due."

Where no bond is surrendered annually, the wording will be to the following effect:

"....." The Town of Hickville promises to pay the bearer on .....at ....., the sum of One Thousand Dollars with interest at the rate of five per centum per annum in ten consecutive annual instalments of principal and interest cobmined according to the terms of the several coupons hereto attached.

In the second form, although not essential, something further to the effect that "when all the coupons hereto at-

tached have been paid, this debenture shall be surrendered to the Town of Hickville" makes the matter perfectly plain both to the borrower and the lender.

The reason for the latter suggestion is that very often municipal bonds are to be found in the hands of persons who do not thoroughly understand debentures, and who have been under the impression that the coupons they were cashing represented interest only. This has more than once been found to be the case where the original purchaser has disposed of his holdings to another person.

A further suggestion is that a line to the effect that any sale of this debenture must be registered in the Debenture Register of the Town of Hickville, should be included in the bond itself.

All preliminaries to the issue of bonds will have had to be performed correctly before they can be registered: this we assume to have been done, so that we can now proceed to registration.

For the sake of simplicity we will take the following examples:

1. $1000.00 Instalment bonds 10 years 5%.

2. $1000.00 Annuity bonds, 10 years 5%, one bond maturing annually.

3. $1000.00 Annuity bonds, 10 years 5%, with coupons covering principal and interest.

In example 1, there will be 10 debentures of $100, numbered 1 to 10. Bond No. 1 will have a coupon numbered 1 for $5 attached, and will mature in one year. Bond No. 2 will have two coupons numbered 1 and 2 each for $5 attached, and will mature in two years. At the end of the first year coupon No. 1 will have been surrendered, and so on through the ten bonds. Therefore, the transactions for each year will be as follows:

Year	Principal	Interest	No. of Bond Maturing	Numbers of Coupons Maturing	Date of Redemtpion	Principal Unpaid
1922	100.00	50.00	1	10 No. 1	Jan. 2	900.00
1923	100.00	45.00	2	9 No. 2	"	800.00
1924	100.00	40.00	3	8 No. 3	"	700.00

1925	100.00	35.00	4	7	No. 4	"	600.00
1926	100.00	30.00	5	6	No. 5	"	500.00
1927	100.00	25.00	6	5	No. 6	"	400.00
1928	100.00	20.00	7	4	No. 7	"	300.00
1929	100.00	15.00	8	3	No. 8	"	200.00
1930	100.00	10.00	9	2	No. 9	"	100.00
1931	100.00	5.00	10	1	No. 10	"	none
	1000.00	1285.00					

The foregoing is exactly the information which should be entered in the debenture register with regard to repayments. It is presumed that no explanation of the registration of sale, etc., which is, of course, entered at the head of the page in the register taken for each sale of bonds, is necessary.

In annuity debentures, no matter which variety, the annual repayment is $129.50, showing that in this case they cost $10 more in the amount of aggregate repayment than the instalment bonds. The cost of repayment increases with the rate of interest paid, $38.77 being the surplus cost on $1000 for 10 years where the rate is 7%.

Taking the plan where the issue calls for the redemption of one debenture annually, we find the following should be the entries made in the register to correspond with those for instalment bonds:

Year	Principal Unpaid	Principal Paid	Interest Coupons	No. of Bond Redeemed	Interest Redeemed
1922	920.50	79.50	50.00	1	10 No. 1
1923	837.02	83.48	46.02	2	9 No. 2
1924	749.37	87.65	41.85	3	8 No. 3
1925	657.34	92.03	37.47	4	7 No. 4
1926	560.70	96.64	32.86	5	6 No. 5
1927	459.23	101.47	28.03	6	5 No. 6
1928	352.69	106.54	22.96	7	4 No. 7
1929	240.82	111.87	17.63	8	3 No. 8
1930	123.36	117.46	12.04	9	2 No. 9
1931	none	123.36	6.14	10	1 No. 10
		1000.00	295.00		

The coupons attached to each debenture will be for the

mount of each year's interest on the debenture itself, and will vary according to the amount thereof. Thus, the coupons surrendered in the first year will be:

Bond No.	1	Coupon No.	1.....	3.98
" "	2	" "	1.....	4.18
" "	3	" "	1.....	4.38
" "	4	" "	1.....	4.61
" "	5	" "	1.....	4.84
" "	6	" "	1.....	5.08
" "	7	" "	1.....	5.32
" "	8	" "	1.....	5.59
" "	9	" "	1.....	5.88
" "	10	" "	1.....	6.14

making the interest coupons redeemed in 1922 ..50.00

The next year there will be no coupon to redeem in connection with Debenture No. 1, which is paid, so the remaining coupons amount to $50 less $3.98 or $46.02 as shown on the previous page.

Under the second variety of annuity debentures, we will assume the issue was made in two debentures of $500 each. The entries registering repayment will be:

Year	Principal Unpaid	Principal Paid	Interest Paid	Total Paid	Coupons Redeemed	
1922	920.50	79.50	50.00	129.50	2 No. 1 each	64.75
1923	837.02	83.48	46.02	129.50	2 No. 2 each	64.75
1924	749.37	87.65	41.85	129.50	2 No. 3 each	64.75
1925	657.34	92.03	37.47	129.50	2 No. 4 each	64.75
1926	560.70	96.64	32.86	129.50	2 No. 5 each	64.75
1927	459.23	101.47	28.03	129.50	2 No. 6 each	64.75
1928	352.69	106.54	22.96	129.50	2 No. 7 each	64.75
1929	240.82	111.87	17.63	129.50	2 No. 8 each	64.75
1930	123.36	117.46	12.04	129.50	2 No. 9 each	64.75
1931	none	123.36	6.14	129.50	2 No. 10 each	64.75
		1000.00	295.00	1295.00		

These figures completely and accurately record all transactions affecting the repayment of bonds.

As to the bonds themselves, each has its good points and vice versa. One objection to the first system is the great

trouble entailed in the preparatoin of the coupons, for different figures are required on the coupons for each bond, whilst in the second, all coupons are for the same amount. On the other hand, the first system is preferable from the standpoint of the lender, for the bonds themselves at all times represent on their face the amount of his investment, whereas under the second system, calculation has to be resorted to in order to ascertain this.

However, both forms are in general use, so that the foregoing demonstrations are essential.

CHAPTER VI.

THE AUDITOR
HIS DUTIES AND RESPONSIBILITIES

We now come to the auditor of the town with a view to considering his duties and responsibilities.

Let us first see what The Town Act says he shall do, and afterwards detail his duties in accordance with the statutory directions.

Section 59 says:

The auditor or auditors so appointed shall at least once in every three months during the year, examine, audit and report upon all books and accounts affecting the town or relating to any matter under its control or within its jurisdiction, and after the examination of every account, voucher, receipt and paid debenture shall stamp thereon in indelible letters the word "audited" and initial the same.

(2) The auditor shall on every occasion write a special report respecting all expenditures made contrary to law, by-law or resolution, and shall deliver the same to the mayor, who shall lay the same before the Council at its next meeting.

Section 61 says:

On or before the 15th day of November in each year, the auditor shall prepare in such form as the minister may direct . . . an abstract of the revenues and expenditures of the town up to the preceding thirty-first day of October, including a statement showing the total amount of debentures issued or authorized to be issued, those actually sold or disposed of, and those remaining on hand.

Subsection 2 of this section is a repetition of the instructions contained in subsection 1 as to how to prepare the statement at the end of the year, with the additional direction to send a copy of this report to the Minister.

These instructions are fairly explicit, but only cover the ground in a general way, so it may be advisable to consider the best manner in which to conduct the audit.

When an auditor is appointed, his first care should be

to see that the last statement issued by his predecessor was correct, and if he does not find it so, to report immediately to the mayor and get instructions to go back into the work of the previous year and find wherein the statement was wrong.

In the present case we shall assume that the statement is correct, and the auditor ready to go on with the work of the current year.

His first duty should be to check the assessment roll with the town plan, and to see that all assessable property is assessed. He should also see that all reductions or alterations made in the assessment are authorized by the court of revision.

Having satisfied himself on this score, he should see that the total of the assessment as entered in the tax roll agrees with the assessment.

The next operation will be to prove the taxation, and it is not necessary that each individual tax should be worked out. If the totals are correct, the auditor is justified in accepting the details as correct in this particular case.

Charges to properties for local improvements must be verified from the local improvements register.

The total column for current purposes may then with advantage be proved.

Arrears of taxes must be most carefully verified from the previous roll and the full total of the roll proved thereafter.

In checking the tax receipt duplicates, the auditor will be careful to check from the last duplicate initialed by his predecessor, and subsequent receipts into the previous roll as far as entered therein, after which the duplicates may be checked into the tax roll. Here a word of advice may with advantage be offered to auditors. Never under any circumstances allow a receipt issued after the close of the year to be included in current work. Too often this is overlooked with disastrous results.

Having proved the total of cash receipts in tax roll, it next devolves upon the auditor to check the said receipts in

detail into the cash book, and see that payments on arrears are properly dissected from receipts on current taxes. If the totals in the two books agree, the following proof of the correctness of the tax roll may be applied:

Taxes unpaid at the end of previous year,
plus penalties added,
less taxes collected and cancelled,
equals taxes uncollected,

and that portion of the prescribed statement referring thereto may be filled in.

When this has been done, the auditor had better prove by all the means available, the correctness or otherwise of the various items shown in the books as receipts.

First, he will check all general receipts into the cash book, and verify as far as possible their correctness with the records of their source, on the following lines:

License receipts must agree with the license book.
Dog tax receipts must agree with the dog tax book.
Poll tax receipts must agree with the Poll tax book.
Scales receipts must agree with the scales books.

and so on. Incidentally, the auditor should satisfy himself that the licenses charged agree with the fees set out in the by-laws. No officer of the town has power to vary these charges. All receipts will now have been checked, and a general test of the treasurer's cash can be applied as under

Cash on hand at end of previous year,
added to total receipts during year.
Less deposits.
Equals cash on hand.

The cash should be verified by adding receipts between the end of the year and the date of the audit, and proving it up to that date.

It is better always to complete the receipts portion of the work before tackling the expenditures, and consequently the postings of receipts to the ledger should be checked at this stage.

The auditor will, of course, know that he is expected to initial everything he verifies as he goes along.

It is rather a difficult matter to say which portion of the

bookkeeping for the expenditures should be checked first, but in the series of books under consideration, it will be advisable to prove the cheques issued into the cash book.

It has been found a great help to have all paid cheques pasted back to their respective stubs, so that the amount shown as liability for outstanding cheques should be easily proved. Having checked the entries of cheques into the cash book and proved the additions, every auditor should add up the cheques charged in the bank book and apply the following test:

Outstanding cheques at the end of previous year added to cheques issued during current year, less cheques charged up in the bank book, equals amount of outstanding cheques at end of year.

Having done this, the proof of the bank account is so elementary as to need no further comment.

The auditor will, in performing this work, require auxiliary information before he can be properly satisfied that all is in order for the expenditures to be certified.

Every account is, under section 59 of the Town Act, required to be audited, and this should be done by comparing each with its corresponding voucher. It is not looked upon as a function of a town auditor in Saskatchewan to verify prices charged, but he should wherever possible, see that supplies are purchased by tender.

He should satisfy himself that the distribution of the expenditures is logical and see that the total expenditure (less outstanding accounts) agrees with the figure shown in the cash book.

This being satisfactorily done, and the posting from the cash book checked into the ledger, the auditor should proceed to compile the abstract of Revenues and Expenditures prescribed by the Department and the details called for on the back of the prescribed form. The writer holds that the best time to do this is before the ledger is closed, wherever practicable.

The auditor will have followed out his statutory duties by calling for and initialing every debenture for which he

is asked to pass a payment, and he ought also to prove the correctness of interest charges both on debenture and bank loans.

When the ledger is closed on the lines laid down in the chapter on that book, its trial balance will represent the assets and liabilities of the town, and it is the duty of the auditor to verify these. This is perhaps the most difficult duty an auditor is called upon to fill, for he is not expected to be a valuator of property .

He should first insist upon seeing the title to all real estate shown as an asset, and strictly speaking, he should ask the town solicitor to certify that they are in good order. Assets other than real estate he should insist upon seeing a certified inventory for, and always make a point of comparing the prices at which say, coal on hand, is charged, with the invoices, and follow this rule out in all such cases.

It is wise for the auditor to get an outside opinion of the value of real estate, and most real estate agents are willing to give an idea of values to the town auditor where that official is not qualified to judge.

If the figures thus obtained do not agree with the figures in the books, it is then the plain duty of the auditor to acquaint the Mayor of the fact, and either alter the values in his statement, giving his reasons, or include them at the old figures, stating his objections in a special report.

The verification of the town's liabilities is a matter often skimped by auditors, and this should not be the case, for very often this feature leads to serious trouble.

The bank should always be interviewed personally as to the town's liability (if any), and the debentures verified with the debenture register, and whilst the auditor should know the town's standing with the schools direct from the books, he should examine the engineer's progress certificates to verify contractor's drawbacks and use every effort to prove the correctness or otherwise of the total of unpaid accounts.

He should also be most particular to see that moneys received as proceeds of the sale of debentures are devoted

solely to the purpose for which they are borrowed and not to any other.

If town auditors carry out their duties in this manner, they will not only be doing the public good service, but they will be doing the treasurer whose books they audit, the best office in their power, and there will be fewer complaints of incompetence, which is very often only another name for carelessness.

APPENDIX

An address read by Mr. S. P. Grosch, Local Government Commissioner to the Union of Saskatchewan Municipalities.

(*Note* :— I make no apology for including this paper, for I consider it conveys a wealth of information on a subject not generally understood, arranged in such form that its subject matter can be readily grasped by the uninitiated seeker after knowledge. (O.J.G.)

METHODS OF REPAYMENT OF LOANS AND THE ADMINISTRATION OF SINKING FUNDS IN SASKATCHEWAN

After a local authority has duly considered the advisability of undertaking work of a permanent nature to be paid for by obtaining a loan by way of debenture to an amount sufficient to pay for the cost of such work, and has carefully considered the estimated lifetime of the work in order that the loan may be repaid within such period, it is then the duty of such local authority to consider and determine the method of repayment to be adopted in each particular case, always keeping in mind the nature of the particular work to be undertaken and paid for out of the proceeds the loan, and the market in which the debenture will probably be sold. This must be decided upon before the enabling by-law is passed, as it is in this by-law that the method of repayment is set out.

It would appear that very little consideration has in the past been given to the method of repayment to be adopted; for this reason, I have considered it advisable to draw attention to the various methods of repayment provided for by the several statutes of the province and in a concise man-

ner to consider some of the more essential features of each method as follows:

1. The instalment method.
2. The annuity method.
3. The sinking fund method.

1. *The Instalment Method.*

Acording to the instalment method the loan is repaid to the lender by equal annual instalments of principal. Interest is at the same time paid on the balance of the loan unpaid. The amount of the annual payments gradually decreases, being somewhat large during the earlier periods and comparatively small during the later periods of the loan, the reason being that the interest charges decrease in proportion as the principal is reduced. This period is merely an arithmetical calculation, involving only a question of simple interest on the amount of the loan from time to time remaining unpaid.

Under this method a loan of $10,000 repayable in ten years, bearing interest at 6 per cent., would be repayable in the years indicated as follows:

Year	Principal	Interest	Total
1	$1,000.00	$600.00	$1,600.00
5	1,000.00	360.00	1,360.00
10	1,000.00	60.00	1,060.00

The lender's objection to this method is that he is compelled to accept annually a portion of the principal, and that he is therefore obliged to repeatedly reinvest comparatively small amounts.

The ratepayer's objection is that when expensive works are undertaken, involving a large loan, the burden of taxation during the earlier periods of the loan is so heavy as to make the undertaking almost prohibitive, while if the burden were equally distributed during the entire period of the loan it would make the undertaking feasible. This is especially applicable in the case of newly organized districts where the ratepayers are usually comparatively few in number and at least able to pay during the earlier period of the loan. This objection cannot apply with equal force to

small loans and on the principal that the burden should be regulated as nearly as may be according to the benefits derived, it would be well in many instances to adopt this method, as it occasionally happens that the ratepayers derive a special benefit from the expenditure while it lasts.

A more valid reason for the adoption of this method is that where the work is of such a nature that the cost of maintenance is likely to be an increasing one during the later periods of the loan, or that an alteration or reconstruction of the works may be necessary, or if the benefits to be derived from the works are likely to diminish during the period of the loan, then the instalment method would appear to be very applicable indeed, unless market conditions are such that by its adoption it would compel a local authority to make too great a sacrifice in the price, which however is seldom ever the case, and particularly not where comparatively small loans are negotiated.

Owing to the equal annual repayment of the principal from the commencement of the loan this method, as I shall endeavor to show later, calls for the least amount of money to be raised by way of taxes during the period of the loan.

2. *The Annuity Method.*

The annuity method consists of the repayment of an equal annual instalment of principal and interest combined. The annual amount repaid to the lender consists in the earlier stages of the loan of a comparatively small portion of principal and a comparatively large portion of interest with the portion of principal included in the instalment of repayment gradually increasing and the portion of interest gradually decreasing.

Considering a loan of $10,000 repayable in ten years interest at 6 per cent, the amounts of repayment for the respective years indicated would be as follows.

Year	Principal	Interest	Total
1	$ 758.67	$600.00	$1,358.67
5	957.81	400.00	1,358.67
10	1,281.77	76.90	1,358.67

The lender is repaid a smaller portion of the principal

during the earlier stages of the loan and a larger portion during the latter stages of the loan than under the instalment method. Reinvestment of principal in a similar manner as under the instalment method is therefore necessary.

The ratepayer's objection under the instalment method that the burden falls most heavily during the early stages of the loan is here removed. The amounts required to be raised annually are equal throughout the entire period of the loan.

The method of repayment will, where the work to be undertaken is one which will involve considerable expense in maintenance during the latter period of the loan, shift the heavier portion of the burden to future ratepayers; where, however, the loan is applied to the purchase of land or the construction of substantial buildings, and the annual charge of maintenance is not likely to increase appreciably during the period of the loan, the annuity method would appear to be the proper method to adopt, provided the benefits are calculated to continue practically unabated through the period prescribed for repayment.

This method of repayment is frequently favoured by local authorities at the time of borrowing, owing to the opportunity it affords of making the annual repayments lighter than under the instalment method. This fact should, however, not be overlooked that the later payments will be heavier and that the total amount required for repayment of the loan will be considerably greater than under the instalment method, this being on account of the local authority retaining a larger portion of the principal for a longer period and paying interest thereon.

I wish to draw your attention to the fact that both the instalment method and the annuity method in effect contain within themselves a sinking fund which bears the same rate of interest as the loan itself. Every time a portion of the principal is repaid, interest on that portion immediately ceases, which in effect is the same as setting aside a similar amount as a sinking fund, which when allowed to accumu-

late with interest at the same rate as borne by the loan, will extinguish the debt at the expiration of the prescribed period. By making such repayments of portions of the principal direct no expense is incurred on account of re-investment, and the trouble and risk incident to investment is obviated.

In an endeavor to overcome to some degree the objection that under instalment and annuity methods, the lender is compelled to accept annually a portion of the principal advanced, the method of issuing series bonds of debentures has been devised. Instead of issuing debentures in such a manner that the coupons attached to the debentures will equal the number of annual payments to be made, and each coupon will equal the amount of both principal and interest due in the respective years as indicated on the coupons, debentures are now issued in such a manner that there is one or more debentures for each year during the period of the loan, the amount of the debentures being for the amount of the principal repayable in the particular year of maturity indicated in the debenture or if the amount is large more than one debenture may be issued for any one year for a portion of the principal due, the total amount of such debentures issued for one year, being equal to the amount of principal repayable in that particular year.

Coupons for interest only are attached, the number varying with the number of annual payments of interest to be made. Each debenture is complete in itself. Accordingly, on the debenture payable at the end of the first year one coupon is attached, the second year two coupons, the third year three coupons, and so on from year to year to the ninth, tenth or more years over which the loan is spread, the amount of each coupon being the amount of interest due annually on the amount of the particular debenture. Interest is computed at the rate payable on the loan. One of such interest coupons is payable in the year indicated on the face thereof.

According to this method, the bond buyer may dispose of one year's debenture or debentures to a single client, and

if the debentures for each particular year are distributed among as many different clients, then the objection that the lender is compelled to accept a portion of the principal annually is overcome, as the client who holds the debenture or debentures payable during let us say the seventh year would obtain interest annually during the seven years and would have the whole amount of the principal repaid at the expiration of the seventh year; similarly each year's debentures would be dealt with during the period of the loan.

The bond buyer has the additional advantage of being able to give his clients a certain number of short or long term debentures as the individual lender may desire. According to this mehtod of issue the individual debentures resemble a sinking fund debenture in that no portion of the principal is repaid during the term of the debenture. It must be pointed out, however, that if a single client were to purchase and hold as an investment the entire issue the above advantage would not be derived by such client.

3. *The Sinking Fund Method.*

The sinking fund method provides for the setting aside annually an equal instalment, which by compound interest computed at the rate of 4 per cent per annum, will accumulate to such an amount as will pay off the loan at the end of the prescribed period, interest on the total amount of principle being payable annually or semi-annually, as the case may be.

This method differs from both the instalment method and annuity method in that the lender is not paid back any portion of the principal during the period of the loan, the total amount of the loan being repaid at the expiration of the period during which it is to run. This overcomes the lender's objection in this respect.

The annual amounts raised by taxes to pay into the sinking fund and pay interest each year are equal, and in this respect this method is similar to the annuity method, where the burden of the loan is shared by the taxpayer by equal

annual instalments. In this respect the reasons for and against such a method as already discussed under the annuity method are applicable here.

In the instalment and annuity methods there is no question as to the rate of accumulation. The amounts are repaid direct to the lender and interest ceases on the amount of principal repaid, therefore the local authority obtains the same rate of interest on repayments as it is paying on the loan itself. According to Saskatchewan statutes, sinking funds are calculated on a 4 per cent. basis.

In order that we may more readily understand the relative cost to the ratepayer of adopting the various methods discussed, let us consider the total amount required to redeem a loan of $100,000 spread over thirty years, and basing the sinking fund at the statutory rate of 4 per cent.

(1) A loan of $100,000, 30 years, 5 per cent.

The instalment method	$177,500.00
The annuity method	195,154.20
The sinking fund method	203,490.30

The above figures show a difference of $17,654.20 in favour of the instalment method over the annuity method, and a difference of $25,990.30 in favour of the instalment method over the sinking fund method, also a difference of $8,336.10 in favour of the annuity method over the sinking fund method.

(2) A loan of $100,000, 30 years, 6 per cent.

The instalment method	$193,000.00
The annuity method	217,946.70
The sinking fund method	233,490.30

The above figures show a difference in favour of the instalment method over the annuity method of $24,946.70 and a difference of $40,490.30 in favour of the instalment method over the sinking fund method, also a difference of $15,543.60 in favour of the annuity method over the sinking fund method.

(3) A loan of $100,000, 30 years, 7 per cent.

The instalment method	$208,500.00
The annuity method	241,759.20
The sinking fund method	263,490.30

The above figures show a difference of $33,259.20 in favour of the instalment method over the annuity method, and a difference of $54,990.30 in favour of the instalment method over the sinking fund method, also a difference of $21,731.10 in favour of the annuity method over the sinking fund method.

It will be observed that the difference increases as the rate of interest increases; this is due to the spread between the increased rate of interest and the permanent basis of computing the sinking fund a 4 per cent.

The differences are shown on a loan of $100,000. If the loan is less the difference will be proportionately less, and if the loan is greater the difference will be proportionately greater, so if the term of payment is shorter the difference will be less, and if the term of repayment is longer the difference will be greater. When the total debenture indebtedness of some of the local authorities running into millions is considered the additional cost to the ratepayers assumes large proportions.

In the case of the sinking fund method the difference may be made up by careful administration and investment of the fund, although I regret to say that my attention has been called to the sinking fund of one local authority which was deposited as a savings account in a local bank, and earning interest at the rate of only 3 per cent; while statutory basis of this fund is 4 per cent. This, if allowed to continue, which it was not, would have meant a shortage in the fund when the time came to repay the loan, unless such shortage were made up in the meantime.

It would therefore appear that for those local authorities that have adopted the sinking fund method for repaying outstanding loans and that desire to reduce the total cost of this method to the ratepayers, investment of the sinking fund is almost a necessity. Ample provisions have been made by the Legislature for such investment and authority has been vested in municipal councils, sinking fund trustees and the local government board to administer and invest sinking funds.

Taking into consideration the trouble, anxiety and possible loss in connection with the administration and investment of sinking funds, the care and supervision required for their proper administration, the expert knowledge required of officials, the additional cost and expense of investment, the additional cost of the sinking fund method over other methods of repayment, when investment is not made to make up the difference, it would be well for local authorities to consider whether the additional price (if any), which they may obtain for straight term debentures, will sufficiently offset the disadvantages of the sinking fund method, especially for the smaller local authorities whose borrowings are seldom of sufficient magnitude to reach the larger markets where the sinking fund method of repayment is almost demanded.

The Administration of Sinking Funds.

In investing sinking funds, it should always be remembered that they are trust funds, and should be administered as such. The keynote to all investments should be security rather than large returns. It is really money set aside for the holder of the debentures in order that we may rest assured that when the time for repayment arrives there will be sufficient money ready and waiting to retire the loan. It is a fund that when invested should be in securities of like safety to the original loan itself.

The investment should not be restricted to one kind of security, but should be in different kinds of securities, not centred in one locality, but spread over as large an area as possible. Personally, I am very much in favour of investing in the debentures of other municipalities, school districts and government securities rather than in mortgages. If mortgages are taken at all they should be taken on only gilt-edge, revenue-producing properties, with a limit of approximately one-third of the appraised value of the property. The mortgages should be taken preferably on lands outside the limits of the local authority making the investment in order that the investing area may be extended and all local feeling removed.

Generally speaking, a mortgage is not as safe an investment as a municipal bond, which has all the powers behind it, and is a first charge on all rateable property, and is therefore prior to the mortgage itself. If taxes are not paid, the mortgagee must advance or cause to be advanced, the amount of such taxes to protect his security, and in making payment of taxes the mortgagee is in part assisting the municipality in paying its bond indebtedness. Moreover, I am informed by reliable authorities that, although there are occasional delinquents who have not paid their debenture coupons as promptly as might be desired, since the inception of the province there has not been a single municipal or school bond repudiated. I cannot make the same statement in respect to mortgage investments.

In case local authorities desire to invest sinking funds in their own debentures, it would be well to give a preference to short debentures. Care should always be taken in such cases to see that the debentures taken up by the sinking fund will mature before any large amount falls due on maturing loans, in order that the money, and not merely securities, is at the disposal of the officials when required, otherwise local authorities may be forced upon the market at inopportune times, with securities upon the sale of which loss may be sustained.

When investments are made in such a manner as to spread over an area, little less in extent than provincial, the security then becomes, in respect to area, almost provincial security and if loss were sustained in any particular locality it would not wipe out the fund, as would be the case if all were invested in that particular locality.

In this province a large portion of the indebtedness of local authorities has been incurred during the last decade. Sinking funds have been accumulating for a comparatively short period. Local authorities have not as yet been called upon to handle amounts for investment; these amounts will increase from year to year, and will bring with them more difficult problems for solution in respect to their administration. Up to the present, I believe no mistakes have been

made which are insurmountable, but that sinking funds generally have been administered with care and with a view to safety. Let us not forget, however, that like the credit of individuals, municipal credit rests upon confidence, and such confidence rests upon the performance by local authorities of the obligations which they have undertaken, the businesslike manner in which they consider the repayment of their loans, the method by which they administer their sinking funds and conduct their affairs at large.

TABLE A

Equal annual payments on Debentures, issued on the annuity plan. In order to ascertain how much of the equal annual payment is interest, and how much principal in each year:

Charge the first payment of interest as upon the whole sum, and the balance as principal. The second and each succeeding year's interest will be less by the interest on amounts paid.

Example: $10,000 twenty year Debentures at 5 per cent. require an equal annual payment of $802.43. Interest first year $500, principal $302.43. Second year interest is payable on $10,000, less $302.43 and amounts to $484.88, the principal repaid being $317.55. The increase in the principal repaid is the same in each succeeding year and the decrease in the amount of interest, conversely, decreases equally.

Rate per cent.	Equal annual payments required for 10 years	15 years	20 years	25 years	30 years
4	$123,290.94	$89,941.10	$73,581.75	$64,011.96	$57,830.10
4½	126,378.82	93,113.81	76,876.14	67,439.03	61,391.54
5	129,504.57	96,342.29	80,242.59	70,952.46	65,051.44
5½	131,667.77	99,625.60	83,679.33	74,549.35	68,805.39
6	135,867.96	102,962.76	87,184.56	78,226.72	72,648.91
6½	139,104.69	106,352.78	90,756.40	81,981.48	76,577.44
7	142,377.50	109,794.62	94,392.93	85,810.52	80,586.40
7½	145,685.93	113,287.24	98,092.19	89,710.67	84,671.24
8	149,029.49	116,829.54	101,852.21	93,678.78	88,827.43

On one million dollar issues.

TABLE B.

Proof of Annuity Payments on Debentures.

	Rate per cent.				
	Divide amount of loan by:				
	4	4½	5	6	7
Yrs.	per cent.	per cent.	per cent.	per cent.	per cent.
10	8.1108	7.9127	7.7217	7.5376	7.3601
15	11.1184	10.7396	10.3796	10.0376	9.7122
20	13.5903	13.0080	12.4622	11.9504	11.4699
25	15.6221	14.8282	14.0939	13.4139	12.7833
30	17.2920	16.2889	15.3724	14.5338	13.7648

The above table furnishes a quick method of proving the correctness or otherwise of the amounts specified for repayment under annuity debentures.

Example: Debentures for $10,000 at 4per cent. twenty years require an equal annual payment of $735.82.

Proof by table: 10,000÷13.5903=$735.81 8-9.

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